

FISCAL BIENNIUM 2004-2006 COMMONWEALTH BUDGET FINAL BUDGET MEMORANDUM

VOLUME III

Legislative Research Commission

APRIL 27, 2005

This FB 2004-2006 Commonwealth Budget Final Budget Memorandum, as approved by the Legislative Research Commission pursuant to 2005 HJR 92, enumerates the changes made by the 2005 General Assembly to HB 267, the State /Executive Branch Budget Bill, and provides explanatory detail to convey the intent of their actions. This report addresses not only provisions of HB 267, but also applicable provisions of HB 350 and HB 497 that impact, add, or modify appropriation and revenue provisions contained in HB 267.

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**FISCAL BIENNIUM 2004-2006 COMMONWEALTH BUDGET
FINAL BUDGET MEMORANDUM**

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FISCAL BIENNIUM 2004-2006 COMMONWEALTH BUDGET

FINAL BUDGET MEMORANDUM

COMMERCE

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FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

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OPERATING BUDGET - TOTAL FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Secretary - Commerce	4,028,000	4,078,000	50,000	6,560,600	6,610,600	50,000
Artisans Center	1,827,700	1,827,700		1,979,000	1,979,000	
Breaks Interstate Park	191,100	191,100		191,100	191,100	
Tourism	8,366,600	8,366,600		8,606,200	8,606,200	
Parks	83,202,700	83,202,700		85,322,400	87,074,400	1,752,000
Horse Park Commission	7,394,000	7,394,000		7,150,200	7,222,200	72,000
State Fair Board	35,400,000	35,400,000		36,567,300	39,129,300	2,562,000
Fish and Wildlife Resources	38,801,700	38,801,700		38,805,700	38,805,700	
Historical Society	7,327,600	7,447,600	120,000	7,824,100	7,994,100	170,000
Arts Council	5,657,400	5,657,400		5,449,900	5,449,900	
Heritage Council	2,144,000	2,144,000		2,143,200	2,143,200	
Kentucky Center for the Arts	1,036,400	2,120,400	1,084,000	964,000	1,724,000	760,000
Regular Appropriation	195,377,200	196,631,200	1,254,000	201,563,700	206,929,700	5,366,000

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

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OPERATING BUDGET - GENERAL FUND

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Secretary - Commerce	2,612,200	2,662,200	50,000	5,174,800	5,224,800	50,000
Artisans Center	213,800	213,800		183,800	183,800	
Breaks Interstate Park	191,100	191,100		191,100	191,100	
Tourism	8,096,200	8,096,200		8,606,200	8,606,200	
Parks	27,574,400	27,574,400		26,015,600	27,767,600	1,752,000
Horse Park Commission	1,871,200	1,871,200		1,621,200	1,693,200	72,000
State Fair Board	396,800	396,800		396,800	2,724,800	2,328,000
Historical Society	5,871,800	5,991,800	120,000	5,871,800	6,041,800	170,000
Arts Council	4,210,900	4,210,900		4,210,900	4,210,900	
Heritage Council	932,400	932,400		933,700	933,700	
Kentucky Center for the Arts	1,036,400	2,120,400	1,084,000	964,000	1,724,000	760,000
Regular Appropriation	53,007,200	54,261,200	1,254,000	54,169,900	59,301,900	5,132,000

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

OPERATING BUDGET - RESTRICTED FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Secretary - Commerce	1,415,800	1,415,800		1,385,800	1,385,800	
Artisans Center	1,613,900	1,613,900		1,795,200	1,795,200	
Tourism	270,400	270,400				
Parks	55,628,300	55,628,300		59,306,800	59,306,800	
Horse Park Commission	5,522,800	5,522,800		5,529,000	5,529,000	
State Fair Board	35,003,200	35,003,200		36,170,500	36,404,500	234,000
Fish and Wildlife Resources	27,971,700	27,971,700		27,941,700	27,941,700	
Historical Society	633,800	633,800		727,300	727,300	
Arts Council	755,500	755,500		553,500	553,500	
Heritage Council	558,300	558,300		621,700	621,700	
Regular Appropriation	129,373,700	129,373,700		134,031,500	134,265,500	234,000

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

OPERATING BUDGET - FEDERAL FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Fish and Wildlife Resources	10,830,000	10,830,000		10,864,000	10,864,000	
Historical Society	822,000	822,000		1,225,000	1,225,000	
Arts Council	691,000	691,000		685,500	685,500	
Heritage Council	653,300	653,300		587,800	587,800	
Regular Appropriation	12,996,300	12,996,300		13,362,300	13,362,300	

B - Commerce Cabinet**Operating Budget****Summary Totals**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	53,007,200	54,261,200	1,254,000	54,169,900	59,301,900	5,132,000
Restricted Funds	129,373,700	129,373,700		134,031,500	134,265,500	234,000
Federal Funds	12,996,300	12,996,300		13,362,300	13,362,300	
Regular Total Funds	195,377,200	196,631,200	1,254,000	201,563,700	206,929,700	5,366,000
Continuing						
TOTAL FUNDS	195,377,200	196,631,200	1,254,000	201,563,700	206,929,700	5,366,000

II. EXPENDITURE CATEGORY

Personnel Costs	119,328,700	119,328,700		123,293,000	123,293,000	
Operating Expenses	60,722,500	61,806,500	1,084,000	60,740,800	61,500,800	760,000
Grants, Loans, Benefits	7,726,600	7,896,600	170,000	9,899,600	10,119,600	220,000
Debt Service	4,012,300	4,012,300		4,012,900	8,398,900	4,386,000
Capital Outlay	3,587,100	3,587,100		3,617,400	3,617,400	
TOTAL EXPENDITURES	195,377,200	196,631,200	1,254,000	201,563,700	206,929,700	5,366,000

III. BASE LEVEL BUDGET BY FUND SOURCE

General Fund	53,007,200	53,007,200		54,169,900	54,169,900	
Restricted Funds	129,373,700	129,373,700		134,031,500	134,031,500	
Federal Funds	12,996,300	12,996,300		13,362,300	13,362,300	
Regular Total Funds	195,377,200	195,377,200		201,563,700	201,563,700	
Continuing						
TOTAL BASE LEVEL	195,377,200	195,377,200		201,563,700	201,563,700	

IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE

General Fund		1,254,000	1,254,000		5,132,000	5,132,000
Restricted Funds					234,000	234,000
TOTAL ADDITIONAL		1,254,000	1,254,000		5,366,000	5,366,000

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B - Commerce Cabinet**Capital Budget****Summary Totals**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Restricted Funds	10,025,000	10,025,000		8,887,000	8,887,000	
Bond Funds		89,000,000	89,000,000			
Agency Bonds		5,000,000	5,000,000			
Capital Construction Sur	250,000	250,000				
Investment Income	4,817,000	4,817,000		4,725,000	160,000	(4,565,000)
Other Funds				1,000,000	1,000,000	
TOTAL CAPITAL	15,092,000	109,092,000	94,000,000	14,612,000	10,047,000	(4,565,000)

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B - Commerce Cabinet**Operating Budget****Secretary - Commerce**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	2,612,200	2,662,200	50,000	5,174,800	5,224,800	50,000
Restricted Funds	1,415,800	1,415,800		1,385,800	1,385,800	
Regular Total Funds	4,028,000	4,078,000	50,000	6,560,600	6,610,600	50,000
Continuing						
TOTAL FUNDS	4,028,000	4,078,000	50,000	6,560,600	6,610,600	50,000
II. EXPENDITURE CATEGORY						
Personnel Costs	2,955,700	2,955,700		3,331,300	3,331,300	
Operating Expenses	672,300	672,300		829,300	829,300	
Grants, Loans, Benefits	350,000	400,000	50,000	2,400,000	2,450,000	50,000
Capital Outlay	50,000	50,000				
TOTAL EXPENDITURES	4,028,000	4,078,000	50,000	6,560,600	6,610,600	50,000
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	2,612,200	2,612,200		5,174,800	5,174,800	
Restricted Funds	1,415,800	1,415,800		1,385,800	1,385,800	
Regular Total Funds	4,028,000	4,028,000		6,560,600	6,560,600	
Continuing						
TOTAL BASE LEVEL	4,028,000	4,028,000		6,560,600	6,560,600	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund		50,000	50,000		50,000	50,000
TOTAL ADDITIONAL		50,000	50,000		50,000	50,000
V. ADDITIONAL BUDGET ITEMS						
1 EXPAN Outdoor Drama Grants						
ABR850A0001 Additional Funds						
General Fund		50,000	50,000		50,000	50,000
Project Total		50,000	50,000		50,000	50,000
TOTAL ADDITIONAL		50,000	50,000		50,000	50,000

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Office of the Secretary

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer, includes a transfer from the Office of the Secretary, Agency Revenue Fund, \$80,000 in fiscal year 2004-2005.

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly provides an additional \$50,000 in General Fund support in each year of the biennium and amends Part I, Operating Budget language to read as follows:

"Outdoor Drama Grants: Included in the above General Fund appropriation is \$330,000 in each fiscal year for the purpose of supporting the following grants: Someday Outdoor Drama, \$20,000 in each year; Stephen Foster, \$81,000 in each year; Pioneer School of Drama, \$28,500 in each year; Music Theater of Louisville, \$9,000 in each year; Pine Knob Theater, \$29,500 in each year; Kincaid Regional Theater, \$27,500 in each year; Twilight Cabaret, \$9,000 in each year; Horse Cave Theater, \$26,000 in each year; Jenny Wiley, \$39,500 in each year; Indian Fort Drama of Berea, \$25,000 in each year; Greenbo Lake State Resort Park, \$10,000 in each year and Russell County Ruscotown Players Production, 25,000 in each fiscal year."

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Office of the Secretary

"Frankfort/Franklin County Riverfront Development Feasibility Study: Included in the above General Fund appropriation is \$100,000 in fiscal year 2004-2005 to conduct the Frankfort/Franklin County Riverfront Development Feasibility Study for those properties located along the Kentucky River and Old Lawrenceburg Road. The Cabinet is directed to undertake the study in cooperation with the City of Frankfort and Franklin County. These funds shall not lapse but shall be carried forward."

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B - Commerce Cabinet**Operating Budget****Artisans Center**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	213,800	213,800		183,800	183,800	
Restricted Funds	1,613,900	1,613,900		1,795,200	1,795,200	
Regular Total Funds	1,827,700	1,827,700		1,979,000	1,979,000	
Continuing						
TOTAL FUNDS	1,827,700	1,827,700		1,979,000	1,979,000	
II. EXPENDITURE CATEGORY						
Personnel Costs	713,700	713,700		853,600	853,600	
Operating Expenses	1,114,000	1,114,000		1,125,400	1,125,400	
TOTAL EXPENDITURES	1,827,700	1,827,700		1,979,000	1,979,000	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	213,800	213,800		183,800	183,800	
Restricted Funds	1,613,900	1,613,900		1,795,200	1,795,200	
Regular Total Funds	1,827,700	1,827,700		1,979,000	1,979,000	
Continuing						
TOTAL BASE LEVEL	1,827,700	1,827,700		1,979,000	1,979,000	

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Artisans Center

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer, includes a transfer from the Artisans Center, Agency Revenue Fund, \$20,000 in fiscal year 2004-2005.

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced.

B - Commerce Cabinet**Operating Budget****Breaks Interstate Park**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	191,100	191,100		191,100	191,100	
Regular Total Funds	191,100	191,100		191,100	191,100	
Continuing						
TOTAL FUNDS	191,100	191,100		191,100	191,100	
II. EXPENDITURE CATEGORY						
Grants, Loans, Benefits	191,100	191,100		191,100	191,100	
TOTAL EXPENDITURES	191,100	191,100		191,100	191,100	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	191,100	191,100		191,100	191,100	
Regular Total Funds	191,100	191,100		191,100	191,100	
Continuing						
TOTAL BASE LEVEL	191,100	191,100		191,100	191,100	

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Breaks Interstate Park

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced.

B - Commerce Cabinet**Operating Budget****Tourism**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	8,096,200	8,096,200		8,606,200	8,606,200	
Restricted Funds	270,400	270,400				
Regular Total Funds	8,366,600	8,366,600		8,606,200	8,606,200	
Continuing						
TOTAL FUNDS	8,366,600	8,366,600		8,606,200	8,606,200	
II. EXPENDITURE CATEGORY						
Personnel Costs	6,007,800	6,007,800		6,518,400	6,518,400	
Operating Expenses	1,528,800	1,528,800		1,257,800	1,257,800	
Grants, Loans, Benefits	830,000	830,000		830,000	830,000	
TOTAL EXPENDITURES	8,366,600	8,366,600		8,606,200	8,606,200	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	8,096,200	8,096,200		8,606,200	8,606,200	
Restricted Funds	270,400	270,400				
Regular Total Funds	8,366,600	8,366,600		8,606,200	8,606,200	
Continuing						
TOTAL BASE LEVEL	8,366,600	8,366,600		8,606,200	8,606,200	

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Tourism

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Tourism Marketing and Development: Included in the above General Fund appropriation is \$1,000,000 in fiscal year 2004-2005 and \$1,000,000 in fiscal year 2005-2006 for Tourism Marketing and Development on behalf of the coal producing counties. Notwithstanding KRS 45.229, the unexpended balance of the \$1,000,000 shall not lapse and shall be carried forward into fiscal year 2005-2006."

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly adds Part I, Operating Budget language provisions as follows:

"Kentucky Music Trail: Fees for the professional artists and entertainers performing on the Kentucky Music Trail may be paid for from the Tourism Marketing Program along with other activities, marketing and promotions in the Commerce Cabinet aimed at promoting tourism in coal producing counties."

"Tourism Development: Notwithstanding KRS 65.6972, in a city of the second class, a development area and related professional sports facility which has 20% of the total revenues derived from the project attributable to sources outside of the Commonwealth, shall be allowed an increment not to exceed 50% of the project cost during the terms of the agreement, which shall be twenty years."

B - Commerce Cabinet**Operating Budget****Parks**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	27,574,400	27,574,400		26,015,600	27,767,600	1,752,000
Restricted Funds	55,628,300	55,628,300		59,306,800	59,306,800	
Regular Total Funds	83,202,700	83,202,700		85,322,400	87,074,400	1,752,000
Continuing						
TOTAL FUNDS	83,202,700	83,202,700		85,322,400	87,074,400	1,752,000
II. EXPENDITURE CATEGORY						
Personnel Costs	51,232,700	51,232,700		52,799,100	52,799,100	
Operating Expenses	31,202,100	31,202,100		31,675,100	31,675,100	
Debt Service					1,752,000	1,752,000
Capital Outlay	767,900	767,900		848,200	848,200	
TOTAL EXPENDITURES	83,202,700	83,202,700		85,322,400	87,074,400	1,752,000
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	27,574,400	27,574,400		26,015,600	26,015,600	
Restricted Funds	55,628,300	55,628,300		59,306,800	59,306,800	
Regular Total Funds	83,202,700	83,202,700		85,322,400	85,322,400	
Continuing						
TOTAL BASE LEVEL	83,202,700	83,202,700		85,322,400	85,322,400	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund					1,752,000	1,752,000
TOTAL ADDITIONAL					1,752,000	1,752,000
V. ADDITIONAL BUDGET ITEMS						
1 NEW Debt Service						
ABR6700001 Provide funds for debt service						
General Fund					1,630,000	1,630,000
Project Total					1,630,000	1,630,000
2 NEW Herrington Lake						
ABR6700002 Herrington Lake						
General Fund					96,000	96,000
Project Total					96,000	96,000

B - Commerce Cabinet**Operating Budget****Parks**

			Fiscal Year 2004-2005			Fiscal Year 2005-2006		
			Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
3	NEW	Kincaid Lake						
ABR6700003		Kincaid Lake						
		General Fund					26,000	26,000
Project Total							26,000	26,000
TOTAL ADDITIONAL							1,752,000	1,752,000

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Parks

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer, includes a transfer from the State Parks, State Parks Fund, \$110,000 in fiscal year 2004-2005.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Park Capital Maintenance and Renovation Fund: Notwithstanding KRS 148.800, the General Assembly authorizes the use of the Park Capital Maintenance and Renovation Fund for any ongoing cost of the Department of Parks."

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly adds Part I, Operating Budget, language provisions as follows:

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Parks

"Debt Service: Included in the above General Fund appropriation is \$1,752,000 in fiscal year 2005-2006 for debt service to support new bonds for the Parks Renovation Pool, Herrington Lake State Park and Lodge Study and Land Acquisition, and Kincaid Lake Design and Engineering Study as set forth in Part II of this Act."

"Craft Sales in Park Gift Shops: Notwithstanding KRS 11A.040 and 45.340, crafts persons employed and juried by Fort Boonesborough State Park and Old Fort Harrod State Park may sell craft items they make to the state park at which they are employed for resale in its gift shop."

"Feasibility Studies: The University of Kentucky, jointly with the Bluegrass Area Development District, shall conduct a comprehensive study of the feasibility and cost of constructing a state park lodge at Fort Boonesborough State Park." The University of Kentucky shall also conduct a comprehensive study of the feasibility and cost of constructing a Wildlife Education Center near Mammoth Cave, Kentucky. The University may partner with other groups in the development of the study. The respective studies shall begin no later than August 1, 2005, and a report and recommendations shall be submitted to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint Committee on Economic Development and Tourism not later than the interim committees' regularly scheduled meeting in October 2005."

The General Assembly amends a Part II, Capital Projects Budget, language provision as follows:

Maintenance Pool: Investment Income of \$3,990,000 in fiscal year 2005-2006 has been deleted.

This project is authorized as Bond Funds in the Statewide Repair, Maintenance, and Replacement Pool Fund within the Finance and Administration Cabinet, in the amount of \$3,990,000. The fiscal year 2005-2006 debt service is included in the Finance and Administration Cabinet's budget.

The General Assembly adds a Part II, Capital Projects Budget, language provision regarding the Parks Renovation Pool as follows:

"Permitted Use of Funds: These Bond Funds may be used for any Department of Parks or Kentucky Horse Park Commission facility owned by the Commonwealth."

B - Commerce Cabinet**Capital Budget****Parks**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Bond Funds		37,500,000	37,500,000			
Investment Income	3,990,000	3,990,000		3,990,000		(3,990,000)
TOTAL CAPITAL	3,990,000	41,490,000	37,500,000	3,990,000		(3,990,000)
II. CAPITAL PROJECTS						
1	Maintenance Pool					
PRJ6700234						
Investment Income	3,990,000	3,990,000		3,990,000		(3,990,000)
Project Total	3,990,000	3,990,000		3,990,000		(3,990,000)
2	Parks Renovation Pool					
PRJ6700246						
Bond Funds		35,000,000	35,000,000			
Project Total		35,000,000	35,000,000			
3	Herrington Lake State Park and Lodge Study					
PRJ6700247						
Bond Funds		2,000,000	2,000,000			
Project Total		2,000,000	2,000,000			
4	Kincaid Lake Lodge Design and Engineering					
PRJ6700248						
Bond Funds		500,000	500,000			
Project Total		500,000	500,000			
TOTAL CAPITAL	3,990,000	41,490,000	37,500,000	3,990,000		(3,990,000)

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B - Commerce Cabinet**Operating Budget****Horse Park Commission**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	1,871,200	1,871,200		1,621,200	1,693,200	72,000
Restricted Funds	5,522,800	5,522,800		5,529,000	5,529,000	
Regular Total Funds	7,394,000	7,394,000		7,150,200	7,222,200	72,000
Continuing						
TOTAL FUNDS	7,394,000	7,394,000		7,150,200	7,222,200	72,000
II. EXPENDITURE CATEGORY						
Personnel Costs	4,258,800	4,258,800		4,265,000	4,265,000	
Operating Expenses	3,135,200	3,135,200		2,885,200	2,885,200	
Debt Service					72,000	72,000
TOTAL EXPENDITURES	7,394,000	7,394,000		7,150,200	7,222,200	72,000
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	1,871,200	1,871,200		1,621,200	1,621,200	
Restricted Funds	5,522,800	5,522,800		5,529,000	5,529,000	
Regular Total Funds	7,394,000	7,394,000		7,150,200	7,150,200	
Continuing						
TOTAL BASE LEVEL	7,394,000	7,394,000		7,150,200	7,150,200	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund					72,000	72,000
TOTAL ADDITIONAL					72,000	72,000
V. ADDITIONAL BUDGET ITEMS						
5 NEW Horse Park Indoor Arena Design						
ABR6650005 Debt Service for design of the Horse Park Indoor Arena.						
General Fund					72,000	72,000
Project Total					72,000	72,000
TOTAL ADDITIONAL					72,000	72,000

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Horse Park Commission

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer, includes a transfer from the Kentucky Horse Park, Kentucky Horse Park Fund, \$40,000 in fiscal year 2004-2005.

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly adds a Part I, Operating Budget, language provision as follows:

'Debt Service: Included in the above General Fund appropriation is \$72,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II of this Act."

The General Assembly amends a Part II, Capital Projects Budget, language provision as follows:

Maintenance Pool: Investment Income of \$575,000 in fiscal year 2005-2006 has been deleted.

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Horse Park Commission

This project is authorized as Bond Funds in the Statewide Repair, Maintenance, and Replacement Pool Fund within the Finance and Administration Cabinet, in the amount of \$575,000. The fiscal year 2005-2006 debt service is included in the Finance and Administration Cabinet's budget.

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B - Commerce Cabinet**Capital Budget****Horse Park Commission**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Bond Funds		1,500,000	1,500,000			
Investment Income	575,000	575,000		575,000		(575,000)
Other Funds				1,000,000	1,000,000	
TOTAL CAPITAL	575,000	2,075,000	1,500,000	1,575,000	1,000,000	(575,000)
II. CAPITAL PROJECTS						
1	Kentucky Horse Park - Construct Permanent Seating Stadium Jumping Area					
PRJ6650194						
Other Funds				1,000,000	1,000,000	
Project Total				1,000,000	1,000,000	
2	Kentucky Horse Park - Maintenance Pool					
PRJ6650197						
Investment Income	575,000	575,000		575,000		(575,000)
Project Total	575,000	575,000		575,000		(575,000)
3	Horse Park Indoor Arena Design					
PRJ6650200						
Bond Funds		1,500,000	1,500,000			
Project Total		1,500,000	1,500,000			
TOTAL CAPITAL	575,000	2,075,000	1,500,000	1,575,000	1,000,000	(575,000)

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B - Commerce Cabinet**Operating Budget****State Fair Board**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	396,800	396,800		396,800	2,724,800	2,328,000
Restricted Funds	35,003,200	35,003,200		36,170,500	36,404,500	234,000
Regular Total Funds	35,400,000	35,400,000		36,567,300	39,129,300	2,562,000
Continuing						
TOTAL FUNDS	35,400,000	35,400,000		36,567,300	39,129,300	2,562,000
II. EXPENDITURE CATEGORY						
Personnel Costs	19,038,900	19,038,900		20,284,600	20,284,600	
Operating Expenses	10,722,900	10,722,900		10,643,900	10,643,900	
Grants, Loans, Benefits	1,500,400	1,500,400		1,500,400	1,500,400	
Debt Service	4,012,300	4,012,300		4,012,900	6,574,900	2,562,000
Capital Outlay	125,500	125,500		125,500	125,500	
TOTAL EXPENDITURES	35,400,000	35,400,000		36,567,300	39,129,300	2,562,000
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	396,800	396,800		396,800	396,800	
Restricted Funds	35,003,200	35,003,200		36,170,500	36,170,500	
Regular Total Funds	35,400,000	35,400,000		36,567,300	36,567,300	
Continuing						
TOTAL BASE LEVEL	35,400,000	35,400,000		36,567,300	36,567,300	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund					2,328,000	2,328,000
Restricted Funds					234,000	234,000
TOTAL ADDITIONAL					2,562,000	2,562,000
V. ADDITIONAL BUDGET ITEMS						
1 NEW Debt Service						
ABR2350001 Provide funds for debt service						
General Fund					2,328,000	2,328,000
Restricted Funds					234,000	234,000
Project Total					2,562,000	2,562,000
TOTAL ADDITIONAL					2,562,000	2,562,000

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Kentucky State Fair Board

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer, includes a transfer from the Kentucky State Fair Board, State Fair Board Fund, \$50,000 in fiscal year 2004-2005.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that direct:

"Debt Service: Included in the above Restricted Funds appropriation is \$4,012,300 in fiscal year 2004-2005 and \$4,012,900 in fiscal year 2005-2006 for previously issued bonds."

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced with the following change:

The General Assembly adds Part I, Operating Budget, language provisions as follows:

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Kentucky State Fair Board

"Debt Service: Included in the above General Fund appropriation is \$2,328,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II, Capital Projects Budget of this Act."

"Debt Service: Included in the above Restricted Fund appropriation is \$234,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II of this Act."

"Maintenance Projects: In accordance with KRS 247.190, the Kentucky State Fair Board is authorized to expend available agency revenue receipts to complete regular or ongoing maintenance projects."

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B - Commerce Cabinet**Capital Budget****State Fair Board**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Restricted Funds	3,275,000	3,275,000		2,787,000	2,787,000	
Bond Funds		50,000,000	50,000,000			
Agency Bonds		5,000,000	5,000,000			
TOTAL CAPITAL	3,275,000	58,275,000	55,000,000	2,787,000	2,787,000	
II. CAPITAL PROJECTS						
1	KFEC - Repave Parking Lots E, J, and Ashton/Adair					
PRJ2350182						
Restricted Funds	1,281,000	1,281,000		49,000	49,000	
Project Total	1,281,000	1,281,000		49,000	49,000	
2	KFEC - Renovate Paving from Gate 1 to Gate 2					
PRJ2350183						
Restricted Funds	900,000	900,000				
Project Total	900,000	900,000				
3	KICC - Renovate Existing Restrooms					
PRJ2350186						
Restricted Funds	44,000	44,000		788,000	788,000	
Project Total	44,000	44,000		788,000	788,000	
4	KICC - Renovate Pedway System					
PRJ2350187						
Restricted Funds	50,000	50,000		950,000	950,000	
Project Total	50,000	50,000		950,000	950,000	
5	Kentucky State Fair Board - Maintenance					
PRJ2350188						
Restricted Funds	1,000,000	1,000,000		1,000,000	1,000,000	
Project Total	1,000,000	1,000,000		1,000,000	1,000,000	
6	East Wing/Hall Renovation Project					
PRJ2350190						
Bond Funds		50,000,000	50,000,000			
Project Total		50,000,000	50,000,000			

B - Commerce Cabinet

State Fair Board

Capital Budget

		Fiscal Year 2004-2005			Fiscal Year 2005-2006		
		Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
7	Design East Wing/Hall Renovation						
	PRJ2350191						
	Agency Bonds		5,000,000	5,000,000			
	Project Total		5,000,000	5,000,000			
TOTAL CAPITAL		3,275,000	58,275,000	55,000,000	2,787,000	2,787,000	

B - Commerce Cabinet**Operating Budget****Fish and Wildlife Resources**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
Restricted Funds	27,971,700	27,971,700		27,941,700	27,941,700	
Federal Funds	10,830,000	10,830,000		10,864,000	10,864,000	
Regular Total Funds	38,801,700	38,801,700		38,805,700	38,805,700	
Continuing						
TOTAL FUNDS	38,801,700	38,801,700		38,805,700	38,805,700	
II. EXPENDITURE CATEGORY						
Personnel Costs	29,141,400	29,141,400		29,145,300	29,145,300	
Operating Expenses	7,016,600	7,016,600		7,016,700	7,016,700	
Capital Outlay	2,643,700	2,643,700		2,643,700	2,643,700	
TOTAL EXPENDITURES	38,801,700	38,801,700		38,805,700	38,805,700	
III. BASE LEVEL BUDGET BY FUND SOURCE						
Restricted Funds	27,971,700	27,971,700		27,941,700	27,941,700	
Federal Funds	10,830,000	10,830,000		10,864,000	10,864,000	
Regular Total Funds	38,801,700	38,801,700		38,805,700	38,805,700	
Continuing						
TOTAL BASE LEVEL	38,801,700	38,801,700		38,805,700	38,805,700	

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Fish and Wildlife Resources

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced.

B - Commerce Cabinet**Capital Budget****Fish and Wildlife Resources**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Restricted Funds	6,750,000	6,750,000		6,100,000	6,100,000	
TOTAL CAPITAL	6,750,000	6,750,000		6,100,000	6,100,000	
II. CAPITAL PROJECTS						
1 Fish and Wildlife - Automated License Sales System Upgrade						
PRJ6600188						
Restricted Funds	650,000	650,000				
Project Total	650,000	650,000				
2 Fish and Wildlife - Fees-In-Lieu-of-Stream Mitigation Project Pool						
PRJ6600189						
Restricted Funds	5,000,000	5,000,000		5,000,000	5,000,000	
Project Total	5,000,000	5,000,000		5,000,000	5,000,000	
3 Fish and Wildlife - Maintenance Pool						
PRJ6600190						
Restricted Funds	400,000	400,000		400,000	400,000	
Project Total	400,000	400,000		400,000	400,000	
4 Fish and Wildlife - Land Acquisition Pool						
PRJ6600191						
Restricted Funds	700,000	700,000		700,000	700,000	
Project Total	700,000	700,000		700,000	700,000	
5 Edmonson County Environmental Study - Reauthorization and Reallocation						
PRJ6600192						
General Fund						
Project Total						
TOTAL CAPITAL	6,750,000	6,750,000		6,100,000	6,100,000	

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B - Commerce Cabinet**Operating Budget****Historical Society**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	5,871,800	5,991,800	120,000	5,871,800	6,041,800	170,000
Restricted Funds	633,800	633,800		727,300	727,300	
Federal Funds	822,000	822,000		1,225,000	1,225,000	
Regular Total Funds	7,327,600	7,447,600	120,000	7,824,100	7,994,100	170,000
Continuing						
TOTAL FUNDS	7,327,600	7,447,600	120,000	7,824,100	7,994,100	170,000
II. EXPENDITURE CATEGORY						
Personnel Costs	3,538,500	3,538,500		3,593,200	3,593,200	
Operating Expenses	3,157,600	3,157,600		3,179,400	3,179,400	
Grants, Loans, Benefits	631,500	751,500	120,000	1,051,500	1,221,500	170,000
TOTAL EXPENDITURES	7,327,600	7,447,600	120,000	7,824,100	7,994,100	170,000
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	5,871,800	5,871,800		5,871,800	5,871,800	
Restricted Funds	633,800	633,800		727,300	727,300	
Federal Funds	822,000	822,000		1,225,000	1,225,000	
Regular Total Funds	7,327,600	7,327,600		7,824,100	7,824,100	
Continuing						
TOTAL BASE LEVEL	7,327,600	7,327,600		7,824,100	7,824,100	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund		120,000	120,000		170,000	170,000
TOTAL ADDITIONAL		120,000	120,000		170,000	170,000
V. ADDITIONAL BUDGET ITEMS						
1 NEW Lewis and Clark Bicentennial Commission						
ABR5500001 Provides Operating Support.						
General Fund		25,000	25,000		75,000	75,000
Project Total		25,000	25,000		75,000	75,000
2 NEW Abraham Lincoln Bicentennial Commission						
ABR5500002 Provides operating support.						
General Fund		30,000	30,000		30,000	30,000
Project Total		30,000	30,000		30,000	30,000

B - Commerce Cabinet**Operating Budget****Historical Society**

			Fiscal Year 2004-2005			Fiscal Year 2005-2006		
			Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
3	NEW	Tuskegee Airmen Exhibit						
ABR5500003	Provides operating support.							
General Fund				25,000	25,000		25,000	25,000
Project Total				25,000	25,000		25,000	25,000
4	NEW	Madison County Battlefield Park and Museum						
ABR5500004	Provides operating support.							
General Fund				40,000	40,000		40,000	40,000
Project Total				40,000	40,000		40,000	40,000
TOTAL ADDITIONAL				120,000	120,000		170,000	170,000

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Kentucky Historical Society

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly adds Part I, Operating Budget, language provisions as follows:

"Old Governor's Mansion: The Secretary of the Finance and Administration Cabinet shall expend no funds to maintain a home for the Lieutenant Governor. The Secretary of the Finance and Administration Cabinet is directed to transfer the operation and use of the Old Governor's Mansion to the Kentucky Historical Society and transfer funding of \$100,000 in fiscal year 2004-2005 and \$100,000 in fiscal year 2005-2006. The Kentucky Historical Society shall direct the official use of the Old Governor's Mansion, which shall not be used as a residence of the Lieutenant Governor."

"Kentucky History Center: The Kentucky History Center shall be named the Thomas D. Clark History Center."

"Lewis and Clark Bicentennial Commission: Included in the above General Fund appropriation is \$25,000 in fiscal year 2004-2005 and \$75,000 in fiscal year 2005-2006 to support the operations of the Commonwealth of Kentucky Lewis and Clark Bicentennial Commission."

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Kentucky Historical Society

"Abraham Lincoln Bicentennial Commission: Included in the above General Fund appropriation is \$30,000 in each fiscal year to support the operations of the Commonwealth of Kentucky Abraham Lincoln Bicentennial Commission."

"Tuskegee Airmen Exhibit: Included in the above General Fund appropriation is \$25,000 in each fiscal year to support the Ron Spriggs Tuskegee Airmen Exhibit."

"Madison County Battlefield Park and Museum: Included in the above General Fund appropriation is \$40,000 in each fiscal year to support the operations of the Madison County Battlefield Park and Museum."

The General Assembly sustains the following Veto Message from the Governor of the Commonwealth of Kentucky:

Partial Veto #2 of HB 267 - "I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following parts on page 43, line 21, after the period, deleting "The" and line 22 through 26 in its entirety: 'Secretary of the Finance and Administration Cabinet is directed to transfer the operation and use of the Old Governor's Mansion to the Kentucky Historical Society and transfer funding of \$100,000 in fiscal year 2004-2005 and \$100,000 in fiscal year 2005-2006. The Kentucky Historical Society shall direct the official use of the Old Governor's Mansion, which shall not be used as a residence of the Lieutenant Governor.' This part transfers ownership of the Old Governor's Mansion to the Kentucky Historical Society. I am vetoing this part because the Old Governor's Mansion will be better served by being administered within the Finance and Administration Cabinet's Division of Historic Properties within the Department for Facilities and Support Services. The Department for Facilities and Support Services has as its core mission to manage and maintain state-owned facilities. The Division of Historic Properties has specific expertise with state-owned properties of significant historical value to the citizens of the Commonwealth."

B - Commerce Cabinet**Capital Budget****Historical Society**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Capital Construction Sur	250,000	250,000				
TOTAL CAPITAL	250,000	250,000				
II. CAPITAL PROJECTS						
1 KY History Center - Purchase Casework						
PRJ5500120						
Capital Construction Sur	250,000	250,000				
Project Total	250,000	250,000				
TOTAL CAPITAL	250,000	250,000				

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B - Commerce Cabinet**Operating Budget****Arts Council**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	4,210,900	4,210,900		4,210,900	4,210,900	
Restricted Funds	755,500	755,500		553,500	553,500	
Federal Funds	691,000	691,000		685,500	685,500	
Regular Total Funds	5,657,400	5,657,400		5,449,900	5,449,900	
Continuing						
TOTAL FUNDS	5,657,400	5,657,400		5,449,900	5,449,900	
II. EXPENDITURE CATEGORY						
Personnel Costs	1,143,400	1,143,400		1,170,500	1,170,500	
Operating Expenses	838,600	838,600		828,600	828,600	
Grants, Loans, Benefits	3,675,400	3,675,400		3,450,800	3,450,800	
TOTAL EXPENDITURES	5,657,400	5,657,400		5,449,900	5,449,900	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	4,210,900	4,210,900		4,210,900	4,210,900	
Restricted Funds	755,500	755,500		553,500	553,500	
Federal Funds	691,000	691,000		685,500	685,500	
Regular Total Funds	5,657,400	5,657,400		5,449,900	5,449,900	
Continuing						
TOTAL BASE LEVEL	5,657,400	5,657,400		5,449,900	5,449,900	

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Kentucky Arts Council

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Open Meetings: Any entity involved in producing or financing arts on a local or statewide basis, which receives funds from the Kentucky Arts Council or from grants from local governmental authorities, shall be required to conduct its business as a public agency pursuant to KRS 61.800 to 61.850 and KRS 61.870 to 61.884."

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced with the following changes:

"(1) Open Meetings: Any entity involved in producing or financing arts on a local or statewide basis which, during the 18 month period preceding the effective date of this Act, received a total of \$25,000 or less as a result of appropriations or grants from state or local governmental units shall be exempt from the requirements of KRS 61.800 to 61.850.

(2) Open Records: Any entity involved in producing or financing arts on a local or statewide basis which, during the 18 month period preceding the effective date of this Act, received a total of \$25,000 or less as a result of appropriations or grants from state or local governmental units shall be exempt from the requirements of KRS 61.872 to 61.884."

B - Commerce Cabinet**Operating Budget****Heritage Council**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	932,400	932,400		933,700	933,700	
Restricted Funds	558,300	558,300		621,700	621,700	
Federal Funds	653,300	653,300		587,800	587,800	
Regular Total Funds	2,144,000	2,144,000		2,143,200	2,143,200	
Continuing						
TOTAL FUNDS	2,144,000	2,144,000		2,143,200	2,143,200	
II. EXPENDITURE CATEGORY						
Personnel Costs	1,297,800	1,297,800		1,332,000	1,332,000	
Operating Expenses	784,400	784,400		749,400	749,400	
Grants, Loans, Benefits	61,800	61,800		61,800	61,800	
TOTAL EXPENDITURES	2,144,000	2,144,000		2,143,200	2,143,200	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	932,400	932,400		933,700	933,700	
Restricted Funds	558,300	558,300		621,700	621,700	
Federal Funds	653,300	653,300		587,800	587,800	
Regular Total Funds	2,144,000	2,144,000		2,143,200	2,143,200	
Continuing						
TOTAL BASE LEVEL	2,144,000	2,144,000		2,143,200	2,143,200	

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Kentucky Heritage Council

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced.

B - Commerce Cabinet**Operating Budget****Kentucky Center for the Arts**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	1,036,400	2,120,400	1,084,000	964,000	1,724,000	760,000
Regular Total Funds	1,036,400	2,120,400	1,084,000	964,000	1,724,000	760,000
Continuing						
TOTAL FUNDS	1,036,400	2,120,400	1,084,000	964,000	1,724,000	760,000
II. EXPENDITURE CATEGORY						
Operating Expenses	550,000	1,634,000	1,084,000	550,000	1,310,000	760,000
Grants, Loans, Benefits	486,400	486,400		414,000	414,000	
TOTAL EXPENDITURES	1,036,400	2,120,400	1,084,000	964,000	1,724,000	760,000
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	1,036,400	1,036,400		964,000	964,000	
Regular Total Funds	1,036,400	1,036,400		964,000	964,000	
Continuing						
TOTAL BASE LEVEL	1,036,400	1,036,400		964,000	964,000	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund		1,084,000	1,084,000		760,000	760,000
TOTAL ADDITIONAL		1,084,000	1,084,000		760,000	760,000
V. ADDITIONAL BUDGET ITEMS						
1 EXPAN Capital Maintenance and Repair Projects						
ABR5520001 Operating funds directed to provide for capital maintenance and repair projects at the Center.						
General Fund		1,084,000	1,084,000		760,000	760,000
Project Total		1,084,000	1,084,000		760,000	760,000
TOTAL ADDITIONAL		1,084,000	1,084,000		760,000	760,000

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Kentucky Center for the Arts

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Governor's School for the Arts: Included in the above General Fund appropriation is \$25,800 in each year of the biennium to restore student scholarship dollars to fiscal 2002-2003 levels."

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced with the following change:

The General Assembly adds a Part I, Operating Budget, language provision as follows:

"Operating Budget: Funds totaling \$1,084,000 in fiscal year 2004-2005 and \$760,000 in fiscal year 2005-2006 are provided for capital maintenance and repair projects at the Center."

B - Commerce Cabinet**Capital Budget****Kentucky Center for the Arts**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Investment Income	252,000	252,000		160,000	160,000	
TOTAL CAPITAL	252,000	252,000		160,000	160,000	
II. CAPITAL PROJECTS						
1 Maintenance Pool						
PRJ5520124						
Investment Income	252,000	252,000		160,000	160,000	
Project Total	252,000	252,000		160,000	160,000	
TOTAL CAPITAL	252,000	252,000		160,000	160,000	

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FISCAL BIENNIUM 2004-2006 COMMONWEALTH BUDGET

FINAL BUDGET MEMORANDUM

ECONOMIC DEVELOPMENT

APRIL 27, 2005

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FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

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OPERATING BUDGET - TOTAL FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Secretary - Economic Development	9,962,100	9,962,100		13,951,000	14,200,000	249,000
New Business Development	1,922,900	1,922,900		2,136,100	2,136,100	
Financial Incentives	12,067,900	12,067,900		6,325,300	6,325,300	
Existing Business Development	3,316,300	3,316,300		3,448,300	3,448,300	
Regular Appropriation	27,269,200	27,269,200		25,860,700	26,109,700	249,000

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

OPERATING BUDGET - GENERAL FUND

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Secretary - Economic Development	7,977,200	7,977,200		11,518,300	11,533,300	15,000
New Business Development	1,556,100	1,556,100		1,556,100	1,556,100	
Financial Incentives	9,827,600	9,827,600		4,058,600	4,058,600	
Existing Business Development	2,722,300	2,722,300		2,852,300	2,852,300	
Regular Appropriation	22,083,200	22,083,200		19,985,300	20,000,300	15,000
CONTINUED RESERVE SPENDING SUMMARY BY APPROPRIATION UNIT						
Financial Incentives	(6,500,000)	(6,500,000)		1,501,700	1,501,700	
Reserve Spending	(6,500,000)	(6,500,000)		1,501,700	1,501,700	

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

OPERATING BUDGET - RESTRICTED FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Secretary - Economic Development	1,984,900	1,984,900		2,432,700	2,666,700	234,000
New Business Development	366,800	366,800		580,000	580,000	
Financial Incentives	2,240,300	2,240,300		2,266,700	2,266,700	
Existing Business Development	438,600	438,600		440,600	440,600	
Regular Appropriation	5,030,600	5,030,600		5,720,000	5,954,000	234,000

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

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OPERATING BUDGET - FEDERAL FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Existing Business Development	155,400	155,400		155,400	155,400	
Regular Appropriation	155,400	155,400		155,400	155,400	

C - Economic Development Cabinet

Operating Budget

Summary Totals

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	22,083,200	22,083,200		19,985,300	20,000,300	15,000
Restricted Funds	5,030,600	5,030,600		5,720,000	5,954,000	234,000
Federal Funds	155,400	155,400		155,400	155,400	
Regular Total Funds	27,269,200	27,269,200		25,860,700	26,109,700	249,000
Continuing	(6,500,000)	(6,500,000)		1,501,700	1,501,700	
TOTAL FUNDS	20,769,200	20,769,200		27,362,400	27,611,400	249,000

II. EXPENDITURE CATEGORY

Personnel Costs	10,881,200	10,881,200		11,321,300	11,321,300	
Operating Expenses	2,311,300	2,311,300		2,499,300	2,499,300	
Grants, Loans, Benefits	7,576,700	7,576,700		12,810,800	12,810,800	
Debt Service				731,000	980,000	249,000
TOTAL EXPENDITURES	20,769,200	20,769,200		27,362,400	27,611,400	249,000

III. BASE LEVEL BUDGET BY FUND SOURCE

General Fund	22,083,200	22,083,200		19,985,300	19,985,300	
Restricted Funds	5,030,600	5,030,600		5,720,000	5,720,000	
Federal Funds	155,400	155,400		155,400	155,400	
Regular Total Funds	27,269,200	27,269,200		25,860,700	25,860,700	
Continuing	(6,500,000)	(6,500,000)		1,501,700	1,501,700	
TOTAL BASE LEVEL	20,769,200	20,769,200		27,362,400	27,362,400	

IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE

General Fund				15,000	15,000	
Restricted Funds				234,000	234,000	
TOTAL ADDITIONAL				249,000	249,000	

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C - Economic Development Cabinet

Capital Budget

Summary Totals

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Restricted Funds	13,825,000	13,825,000		10,985,000	10,985,000	
Bond Funds	15,000,000	15,250,000	250,000			
Agency Bonds		5,000,000	5,000,000			
TOTAL CAPITAL	28,825,000	34,075,000	5,250,000	10,985,000	10,985,000	

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C - Economic Development Cabinet**Operating Budget****Secretary - Economic Development**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	7,977,200	7,977,200		11,518,300	11,533,300	15,000
Restricted Funds	1,984,900	1,984,900		2,432,700	2,666,700	234,000
Regular Total Funds	9,962,100	9,962,100		13,951,000	14,200,000	249,000
Continuing						
TOTAL FUNDS	9,962,100	9,962,100		13,951,000	14,200,000	249,000
II. EXPENDITURE CATEGORY						
Personnel Costs	4,513,200	4,513,200		4,638,900	4,638,900	
Operating Expenses	1,023,100	1,023,100		1,136,300	1,136,300	
Grants, Loans, Benefits	4,425,800	4,425,800		8,175,800	8,175,800	
Debt Service					249,000	249,000
TOTAL EXPENDITURES	9,962,100	9,962,100		13,951,000	14,200,000	249,000
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	7,977,200	7,977,200		11,518,300	11,518,300	
Restricted Funds	1,984,900	1,984,900		2,432,700	2,432,700	
Regular Total Funds	9,962,100	9,962,100		13,951,000	13,951,000	
Continuing						
TOTAL BASE LEVEL	9,962,100	9,962,100		13,951,000	13,951,000	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund					15,000	15,000
Restricted Funds					234,000	234,000
TOTAL ADDITIONAL					249,000	249,000
V. ADDITIONAL BUDGET ITEMS						
1 NEW New Debt Service						
ABRC36A0006 Provide debt service for Airport Relocation Assistance.						
Restricted Funds					234,000	234,000
Project Total					234,000	234,000
2 NEW Debt Service for Crispus Attucks - Small Business Incubator						
ABRC36A0008 Provides debt service for bonds.						
General Fund					15,000	15,000
Project Total					15,000	15,000
TOTAL ADDITIONAL					249,000	249,000

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Office of the Secretary

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Department for Regional Development: Included in the above General Fund appropriation is \$251,900 in fiscal year 2004-2005 and \$256,200 in fiscal year 2005-2006 for the Department for Regional Development. Notwithstanding KRS 42.4592, the General Fund appropriations for the Department for Regional Development shall be funded from the Local Government Economic Development Fund prior to any other statutory distribution from the Local Government Economic Development Fund."

"Kentucky Technology Service Grant: Included in the above Restricted Funds appropriation is \$300,000 in fiscal year 2004-2005 and \$150,000 in fiscal year 2005-2006 for the Kentucky Technology Service Grant administered by the Kentucky Manufacturing Assistance Center. Included in the above General Fund appropriation is \$150,000 in fiscal year 2005-2006 for the Kentucky Technology Service Grant."

"Louisville Waterfront Development Corporation: Included in the above Restricted Funds appropriation is \$420,800 in fiscal year 2004-2005 and \$420,800 in fiscal year 2005-2006 for the Louisville Waterfront Development Corporation."

"Department of Innovation and Commercialization for a Knowledge-Based Economy: Included in the above Restricted Funds appropriation is \$560,600 in fiscal year 2004-2005 and \$1,140,000 in fiscal year 2005-2006 for the Department of Innovation and Commercialization for a Knowledge-Based Economy. Also included in the above General Fund appropriation is \$3,992,600 in fiscal year 2004-2005 and \$7,379,400 in fiscal year 2005-2006. A portion of these funds shall be used for the Innovation and Commercialization Centers and ideaFestival grant of \$1,500,000 in fiscal year 2005-2006 administered by the Kentucky Science and Technology Corporation."

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Office of the Secretary

"New Economy High-Tech Construction and High-Tech Investment Pools: Included in the above General Fund appropriation is \$3,625,000 in fiscal year 2004-2005 and \$3,500,000 in fiscal year 2005-2006 for the Innovation and Commercialization High-Tech Construction and High-Tech Investment Pools. Notwithstanding KRS 42.4592, the General Fund appropriation for the Department of Innovation and Commercialization for a Knowledge-Based Economy shall be funded from the Local Government Economic Development Fund prior to any statutory distribution from the Local Government Economic Development Fund. The Commissioner of the Department of Innovation and Commercialization for a Knowledge-Based Economy shall determine the amounts to be apportioned between the High-Tech Investment and High-Tech Construction Pools."

"Funding for Innovation and Commercialization: Notwithstanding Subtitle 20 of KRS Chapter 154, interest income earned on balances in the High-Technology Construction Pool and the High-Technology Investment Pool shall be used to support the Department of Innovation and Commercialization for a Knowledge-Based Economy within the Cabinet for Economic Development. Upon the recommendation of the Commissioner, these funds are authorized and appropriated to fund High-Technology Construction Pool and High-Technology Investment Pool projects. Loan repayments received by the High-Technology Construction and High-Technology Investment Pools are appropriated in addition to amounts specified in Part II, Capital Projects Budget, of this Act."

The State/Executive Branch Budget Bill, Part II, Capital Budget, includes a language provision that directs:

"Apportionment of Funds: The Commissioner of the Department of Innovation and Commercialization for a Knowledge-Based Economy shall determine the amounts to be apportioned between the High-Tech Investment Pool and the High-Tech Construction Pool."

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly adds Part I, Operating Budget, language provisions as follows:

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Office of the Secretary

"Debt Service: Included in the above General Fund appropriation is \$15,000 in fiscal year 2005-2006 for debt service to support new bonds for the Crispus Attucks Small Business Incubator as set forth in Part II, Capital Projects Budget of this Act."

"Included in the above Restricted Fund appropriation is \$234,000 in fiscal year 2005-2006 for debt service to support new bonds for Airport Relocation Assistance as set forth in Part II, Capital Projects Budget of this Act."

"Federal Research Laboratory: Agencies within state government, including but not limited to the Economic Development Cabinet, the Council on Postsecondary Education, the Office of the Governor, and the state postsecondary institutions shall provide technical assistance and pool resources as necessary for the purpose of recruiting a federal research laboratory to the Commonwealth. "

C - Economic Development Cabinet**Capital Budget****Secretary - Economic Development**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Restricted Funds	11,575,000	11,575,000		10,985,000	10,985,000	
Bond Funds		250,000	250,000			
Agency Bonds		5,000,000	5,000,000			
TOTAL CAPITAL	11,575,000	16,825,000	5,250,000	10,985,000	10,985,000	
II. CAPITAL PROJECTS						
1	New Economy High-Tech Investment/Construction Pool					
PRJC36A0003						
Restricted Funds	11,575,000	11,575,000		10,985,000	10,985,000	
Project Total	11,575,000	11,575,000		10,985,000	10,985,000	
2	Airport Relocation Assistance					
PRJC36A0004						
Agency Bonds		5,000,000	5,000,000			
Project Total		5,000,000	5,000,000			
3	Crispus Attucks -Small Business Incubator					
PRJC36A0005						
Bond Funds		250,000	250,000			
Project Total		250,000	250,000			
TOTAL CAPITAL	11,575,000	16,825,000	5,250,000	10,985,000	10,985,000	

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C - Economic Development Cabinet

Operating Budget

New Business Development

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	1,556,100	1,556,100		1,556,100	1,556,100	
Restricted Funds	366,800	366,800		580,000	580,000	
Regular Total Funds	1,922,900	1,922,900		2,136,100	2,136,100	
Continuing						
TOTAL FUNDS	1,922,900	1,922,900		2,136,100	2,136,100	
II. EXPENDITURE CATEGORY						
Personnel Costs	1,501,100	1,501,100		1,601,100	1,601,100	
Operating Expenses	336,800	336,800		450,000	450,000	
Grants, Loans, Benefits	85,000	85,000		85,000	85,000	
TOTAL EXPENDITURES	1,922,900	1,922,900		2,136,100	2,136,100	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	1,556,100	1,556,100		1,556,100	1,556,100	
Restricted Funds	366,800	366,800		580,000	580,000	
Regular Total Funds	1,922,900	1,922,900		2,136,100	2,136,100	
Continuing						
TOTAL BASE LEVEL	1,922,900	1,922,900		2,136,100	2,136,100	

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Business Development

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced.

C - Economic Development Cabinet

Operating Budget

Financial Incentives

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	9,827,600	9,827,600		4,058,600	4,058,600	
Restricted Funds	2,240,300	2,240,300		2,266,700	2,266,700	
Regular Total Funds	12,067,900	12,067,900		6,325,300	6,325,300	
Continuing	(6,500,000)	(6,500,000)		1,501,700	1,501,700	
TOTAL FUNDS	5,567,900	5,567,900		7,827,000	7,827,000	
II. EXPENDITURE CATEGORY						
Personnel Costs	2,228,400	2,228,400		2,272,400	2,272,400	
Operating Expenses	323,600	323,600		323,600	323,600	
Grants, Loans, Benefits	3,015,900	3,015,900		4,500,000	4,500,000	
Debt Service				731,000	731,000	
TOTAL EXPENDITURES	5,567,900	5,567,900		7,827,000	7,827,000	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	9,827,600	9,827,600		4,058,600	4,058,600	
Restricted Funds	2,240,300	2,240,300		2,266,700	2,266,700	
Regular Total Funds	12,067,900	12,067,900		6,325,300	6,325,300	
Continuing	(6,500,000)	(6,500,000)		1,501,700	1,501,700	
TOTAL BASE LEVEL	5,567,900	5,567,900		7,827,000	7,827,000	

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Financial Incentives

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Debt Service: Included in the above General Fund appropriation is \$731,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II of this Act."

"Carry Forward of General Fund Appropriation Balance for Bluegrass State Skills Corporation: Notwithstanding KRS 45.229, the General Fund appropriation balance for fiscal year 2004-2005 and for fiscal year 2005-2006 for the Bluegrass State Skills Corporation shall not lapse and shall carry forward. The Corporation is authorized to extend an additional \$1,500,000 in training grant offers during the 2004-2006 biennium. In the event that such offers are made, and that disbursements are required to support those offers, funds shall be appropriated from the General Fund Surplus Account in an amount not to exceed \$1,500,000."

"Lapse of Special Revenue Fund Accounts: Balances remaining in the Special Revenue Fund accounts after all appropriations authorized in this bill are funded shall lapse to the Statewide Deferred Maintenance Fund at the end of each fiscal year."

"Kentucky Investment Fund Act Tax Credits: The total amount of Kentucky Investment Fund Act (KIFA) tax credits available to any single investment fund shall not exceed, in aggregate, \$1,300,000 for all investors and all taxable years. The total KIFA tax credits available for all investors in all investment funds shall not exceed \$5,000,000 per fiscal year."

The State/Executive Branch Budget Bill, Part II, Capital Budget, includes language provisions that direct:

"Economic Development Bond Issues: Before any economic development bonds are issued, the proposed bond issue shall be approved by the Secretary of the Finance and Administration Cabinet and the State Property and Buildings Commission under KRS 56.440 to 56.590. In addition to the terms and conditions of KRS 154.12-100, administration of the Economic Development Bond

**Fiscal Biennium 2004-2006
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Financial Incentives

Program by the Secretary of the Cabinet for Economic Development is subject to the following guideline: project selection shall be documented when presented to the Secretary of the Finance and Administration Cabinet. Included in the documentation shall be the rationale for selection and expected economic development impact."

"Permissible Use of Available KEDFA Funds: Moneys available to the Kentucky Economic Development Finance Authority (KEDFA) under KRS 154.20-010 to 154.20-180 shall be used exclusively for the purposes of those statutes or as expressly provided for in this Act. Nothing in this Act shall prohibit the transfer of funds from KEDFA to the New Economy Program as set out in this Act."

"Seeding Innovation Project: The Kentucky Economic Development Finance Authority Board is encouraged to work with the Department of Innovation and Commercialization for a Knowledge-Based Economy to provide up to \$500,000 each year of the 2004-2006 fiscal biennium to fund the Seeding Innovation Project for Kentucky's elementary and secondary schools."

"Commercialization and Innovation: Notwithstanding any provisions of KRS 154.20-010 to 154.20-180 to the contrary, included in the Economic Development Bond Pool below is \$5,000,000 to support Department of Innovation and Commercialization for a Knowledge-Based Economy projects."

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced with the following change:

The General Assembly sustained the following Veto Message from the Governor of the Commonwealth:

Partial Veto #3 of HB 267 - "I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following parts on page 48, lines 25 through 27 in their entirety: '(3) Lapse of Special Revenue Fund Accounts: Balances remaining in the Special Revenue Fund accounts after all appropriations authorized in this Act are funded shall lapse to the Statewide Deferred Maintenance Fund at the end of each fiscal year.' This part directs that repayments from Economic Development bond projects be directed to the Statewide Deferred Maintenance Fund at the

Fiscal Biennium 2004-2006
Budget Modification Report

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Financial Incentives

end of each fiscal year. I am vetoing this part because there are funds appropriated in Part II for the Statewide Deferred Maintenance Fund. The Commonwealth's Budget Reserve Trust Fund has been decreased to \$28,764,800. Through this partial veto, approximately \$1,200,000 will be available at the end of each fiscal year to increase the Budget Reserve Trust Fund through the General Fund Surplus Expenditure Plan."

C - Economic Development Cabinet**Capital Budget****Financial Incentives**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Restricted Funds	2,250,000	2,250,000				
Bond Funds	15,000,000	15,000,000				
TOTAL CAPITAL	17,250,000	17,250,000				
II. CAPITAL PROJECTS						
1 Economic Development Bond Pool (Reauthorization \$5,000,000 - Bond Funds)						
PRJC36D0001						
Bond Funds	15,000,000	15,000,000				
Project Total	15,000,000	15,000,000				
2 Purchase Regional Industrial Park						
PRJC36D0004						
Restricted Funds	2,250,000	2,250,000				
Project Total	2,250,000	2,250,000				
TOTAL CAPITAL	17,250,000	17,250,000				

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C - Economic Development Cabinet**Operating Budget****Existing Business Development**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	2,722,300	2,722,300		2,852,300	2,852,300	
Restricted Funds	438,600	438,600		440,600	440,600	
Federal Funds	155,400	155,400		155,400	155,400	
Regular Total Funds	3,316,300	3,316,300		3,448,300	3,448,300	
Continuing						
TOTAL FUNDS	3,316,300	3,316,300		3,448,300	3,448,300	
II. EXPENDITURE CATEGORY						
Personnel Costs	2,638,500	2,638,500		2,808,900	2,808,900	
Operating Expenses	627,800	627,800		589,400	589,400	
Grants, Loans, Benefits	50,000	50,000		50,000	50,000	
TOTAL EXPENDITURES	3,316,300	3,316,300		3,448,300	3,448,300	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	2,722,300	2,722,300		2,852,300	2,852,300	
Restricted Funds	438,600	438,600		440,600	440,600	
Federal Funds	155,400	155,400		155,400	155,400	
Regular Total Funds	3,316,300	3,316,300		3,448,300	3,448,300	
Continuing						
TOTAL BASE LEVEL	3,316,300	3,316,300		3,448,300	3,448,300	

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Budget Modification Report**

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Community Development

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

GENERAL ASSEMBLY

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly concurs with the Bill as Introduced.

FISCAL BIENNIUM 2004-2006 COMMONWEALTH BUDGET

FINAL BUDGET MEMORANDUM

DEPARTMENT OF EDUCATION

APRIL 27, 2005

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FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

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OPERATING BUDGET - TOTAL FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Executive Policy and Management	687,900	687,900		687,900	687,900	
Operations and Support Services	13,802,800	14,152,800	350,000	13,736,100	17,806,600	4,070,500
Learning and Results Services	1,266,812,300	1,266,917,000	104,700	1,419,051,600	1,412,709,800	(6,341,800)
Support Education Excellence in Kentucky (SEEK)	2,434,694,600	2,439,408,400	4,713,800	2,522,750,500	2,594,892,700	72,142,200
Regular Appropriation	3,715,997,600	3,721,166,100	5,168,500	3,956,226,100	4,026,097,000	69,870,900

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

OPERATING BUDGET - GENERAL FUND (TOBACCO)

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Learning and Results Services	1,888,400	1,888,400		1,888,400	1,888,400	
Regular Appropriation	1,888,400	1,888,400		1,888,400	1,888,400	
CONTINUED RESERVE SPENDING SUMMARY BY APPROPRIATION UNIT						
Learning and Results Services	766,000	766,000				
Reserve Spending	766,000	766,000				

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

OPERATING BUDGET - GENERAL FUND

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Executive Policy and Management	687,900	687,900		687,900	687,900	
Operations and Support Services	10,888,600	10,888,600		11,353,900	15,074,400	3,720,500
Learning and Results Services	641,065,500	641,170,200	104,700	788,138,900	781,797,100	(6,341,800)
Support Education Excellence in Kentucky (SEEK)	2,434,694,600	2,439,408,400	4,713,800	2,522,750,500	2,594,892,700	72,142,200
Regular Appropriation	3,087,336,600	3,092,155,100	4,818,500	3,322,931,200	3,392,452,100	69,520,900
CONTINUED RESERVE SPENDING SUMMARY BY APPROPRIATION UNIT						
Learning and Results Services	717,700	717,700				
Reserve Spending	717,700	717,700				

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

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OPERATING BUDGET - RESTRICTED FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Operations and Support Services	2,886,400	3,236,400	350,000	2,354,400	2,704,400	350,000
Learning and Results Services	1,794,200	1,794,200		1,801,200	1,801,200	
Regular Appropriation	4,680,600	5,030,600	350,000	4,155,600	4,505,600	350,000

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

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OPERATING BUDGET - FEDERAL FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
Operations and Support Services	27,800	27,800		27,800	27,800	
Learning and Results Services	622,064,200	622,064,200		627,223,100	627,223,100	
Regular Appropriation	622,092,000	622,092,000		627,250,900	627,250,900	

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D - Department of Education**Operating Budget****Summary Totals**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund (Tobacco)	1,888,400	1,888,400		1,888,400	1,888,400	
General Fund	3,087,336,600	3,092,155,100	4,818,500	3,322,931,200	3,392,452,100	69,520,900
Restricted Funds	4,680,600	5,030,600	350,000	4,155,600	4,505,600	350,000
Federal Funds	622,092,000	622,092,000		627,250,900	627,250,900	
Regular Total Funds	3,715,997,600	3,721,166,100	5,168,500	3,956,226,100	4,026,097,000	69,870,900
Continuing	1,483,700	1,483,700				
TOTAL FUNDS	3,717,481,300	3,722,649,800	5,168,500	3,956,226,100	4,026,097,000	69,870,900

II. EXPENDITURE CATEGORY

Personnel Costs	75,826,900	75,826,900		76,873,500	76,873,500	
Operating Expenses	10,125,900	10,475,900	350,000	9,581,200	9,931,200	350,000
Grants, Loans, Benefits	3,631,528,500	3,636,347,000	4,818,500	3,869,926,900	3,938,727,300	68,800,400
Debt Service				180,500	901,000	720,500
Capital Outlay				(336,000)	(336,000)	
TOTAL EXPENDITURES	3,717,481,300	3,722,649,800	5,168,500	3,956,226,100	4,026,097,000	69,870,900

III. BASE LEVEL BUDGET BY FUND SOURCE

General Fund (Tobacco)	1,888,400	1,888,400		1,888,400	1,888,400	
General Fund	3,087,336,600	3,086,354,000	(982,600)	3,322,931,200	3,288,710,100	(34,221,100)
Restricted Funds	4,680,600	5,030,600	350,000	4,155,600	4,505,600	350,000
Federal Funds	622,092,000	622,092,000		627,250,900	627,250,900	
Regular Total Funds	3,715,997,600	3,715,365,000	(632,600)	3,956,226,100	3,922,355,000	(33,871,100)
Continuing	1,483,700	1,483,700				
TOTAL BASE LEVEL	3,717,481,300	3,716,848,700	(632,600)	3,956,226,100	3,922,355,000	(33,871,100)

IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE

General Fund		5,801,100	5,801,100		103,742,000	103,742,000
TOTAL ADDITIONAL		5,801,100	5,801,100		103,742,000	103,742,000

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D - Department of Education**Capital Budget****Summary Totals**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Bond Funds	3,839,000	3,839,000			15,300,000	15,300,000
Investment Income	675,000	675,000		675,000		(675,000)
TOTAL CAPITAL	4,514,000	4,514,000		675,000	15,300,000	14,625,000

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D - Department of Education**Operating Budget****Executive Policy and Management**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	687,900	687,900		687,900	687,900	
Regular Total Funds	687,900	687,900		687,900	687,900	
Continuing						
TOTAL FUNDS	687,900	687,900		687,900	687,900	
II. EXPENDITURE CATEGORY						
Personnel Costs	568,400	568,400		582,500	582,500	
Operating Expenses	119,500	119,500		105,400	105,400	
TOTAL EXPENDITURES	687,900	687,900		687,900	687,900	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	687,900	687,900		687,900	687,900	
Regular Total Funds	687,900	687,900		687,900	687,900	
Continuing						
TOTAL BASE LEVEL	687,900	687,900		687,900	687,900	

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Executive Policy and Management

BILL AS INTRODUCED

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

State salary/compensation and employment policy including increments, retirement, and health insurance and personnel complement are addressed in Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Employment of Personnel: Notwithstanding KRS 18A.115, the Department of Education may fill, through Memoranda of Agreement, not more than 50 percent of its existing authorized positions below the division director level with individuals employed as school administrators and educators in Kentucky."

"Employment of Leadership Personnel: Notwithstanding KRS 18A.005 to 18A.200, the Kentucky Board of Education shall continue to have sole authority to determine the employees of the Department of Education who are exempt from the classified service and to set their compensation comparable to the competitive market."

"Medicaid Reimbursement Funds: The Department of Education is authorized to implement a strategy, in conjunction with local school districts and the Department for Medicaid Services within the Cabinet for Health Services, to maximize federal reimbursement under the Medicaid Program for Medicaid-eligible administrative functions performed by elementary and secondary school faculty, staff, and administrators. Any increase in federal reimbursement attributable to such a strategy shall not be expended by the Department of Education or Cabinet for Health Services, Department for Medicaid Services, prior to review and approval by the Governor's Office of Policy and Management and submission to the Interim Joint Committee on Appropriations and Revenue at least 60 days prior to any distribution of Federal Funds."

Fiscal Biennium 2004-2006
Budget Modification Report

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Executive Policy and Management

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following change:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

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D - Department of Education**Operating Budget****Operations and Support Services**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	10,888,600	10,888,600		11,353,900	15,074,400	3,720,500
Restricted Funds	2,886,400	3,236,400	350,000	2,354,400	2,704,400	350,000
Federal Funds	27,800	27,800		27,800	27,800	
Regular Total Funds	13,802,800	14,152,800	350,000	13,736,100	17,806,600	4,070,500
Continuing						
TOTAL FUNDS	13,802,800	14,152,800	350,000	13,736,100	17,806,600	4,070,500
II. EXPENDITURE CATEGORY						
Personnel Costs	9,147,800	9,147,800		9,400,700	9,400,700	
Operating Expenses	4,085,900	4,435,900	350,000	4,127,100	4,477,100	350,000
Grants, Loans, Benefits	569,100	569,100		27,800	3,027,800	3,000,000
Debt Service				180,500	901,000	720,500
TOTAL EXPENDITURES	13,802,800	14,152,800	350,000	13,736,100	17,806,600	4,070,500
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	10,888,600	10,888,600		11,353,900	11,354,400	500
Restricted Funds	2,886,400	3,236,400	350,000	2,354,400	2,704,400	350,000
Federal Funds	27,800	27,800		27,800	27,800	
Regular Total Funds	13,802,800	14,152,800	350,000	13,736,100	14,086,600	350,500
Continuing						
TOTAL BASE LEVEL	13,802,800	14,152,800	350,000	13,736,100	14,086,600	350,500
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund					3,720,000	3,720,000
TOTAL ADDITIONAL					3,720,000	3,720,000
V. ADDITIONAL BUDGET ITEMS						
1 NEW Debt Service - Bond Funds - Facility for Education Arts Programs						
ABR540B0008	Provide debt service for unissued Bond Funds totaling \$1.8 million in FY 2005-2006 to support facilities for Education Arts Programs which will require matching private funds.					
General Fund					86,000	86,000
Project Total					86,000	86,000

D - Department of Education**Operating Budget****Operations and Support Services**

		Fiscal Year 2004-2005			Fiscal Year 2005-2006		
		Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
2	NEW Debt Service - Bond Funds - Rockcastle Area Vocational Technical School						
ABR540B0009	Provide debt service for unissued Bond Funds totaling \$8.0 million in FY 2005-2006 to support the Rockcastle Area Vocational Technical School.						
	General Fund					373,000	373,000
Project Total						373,000	373,000
3	NEW Russell County Learning Center						
ABR540B0010	Provide funds to support facility maintenance and upgrade. The General Assembly sustains the veto of Governor Fletcher of this project; therefore, these funds shall lapse to the credit of the General Fund in FY 2005-06.						
	General Fund					1,500,000	1,500,000
Project Total						1,500,000	1,500,000
4	NEW Letcher County Central Vocational Center						
ABR540B0011	Provide funds to support the construction and facility upgrade. The General Assembly sustains the veto of Governor Fletcher of this project; therefore, these funds shall lapse to the credit of the General Fund in FY 2005-06.						
	General Fund					1,500,000	1,500,000
Project Total						1,500,000	1,500,000
5	NEW Debt Service - Bond Funds - Letcher County Central Vocational Center						
ABR540B0012	Provide debt service for unissued Bond Funds totaling \$2.0 million in FY 2005-2006 to support the Letcher County Central Vocational Center.						
	General Fund					96,000	96,000
Project Total						96,000	96,000
6	NEW Debt Service - Bond Funds - Russell County Learning Center						
ABR540B0013	Provide debt service for unissued Bond Funds totaling \$3.5 million in FY 2005-2006 to support the Russell County Learning Center.						
	General Fund					165,000	165,000
Project Total						165,000	165,000
TOTAL ADDITIONAL						3,720,000	3,720,000

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BILL AS INTRODUCED

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

State salary/compensation and employment policy including increments, retirement, and health insurance and personnel complement are addressed in Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer includes a transfer from Operations and Support Services, Agency Revenue Fund of \$102,200 in fiscal year 2004-2005.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Teachers' Retirement System Employer Match: Included in the above General Fund appropriation is \$2,531,700 in fiscal year 2004-2005 and \$2,607,800 in fiscal year 2005-2006 to enable the Department of Education to provide the employer match for the teacher retirement contribution for qualified employees as provided by KRS 161.550."

"Debt Service: Included in the above General Fund appropriation in fiscal year 2005-2006 is \$180,500 to provide for debt service for new bonds as set forth in Part II, Capital Projects Budget, of this Act."

"Management Assistance Program: Included in the above General Fund appropriation is \$200,000 in each fiscal year for the Management Assistance Program."

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Operations and Support Services

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly amends a Part I, Operating Budget, language provision as follows:

"Debt Service: Included in the above General Fund appropriation in fiscal year 2005-2006 is \$181,000 to provide for debt service for new bonds as set forth in Part II, Capital Projects Budget, of this Act."

The General Assembly adds Part I, Operating Budget, language provisions as follows:

"Rockcastle Area Vocational Technical School: Included in the above General Fund appropriation is \$373,000 in fiscal year 2005-2006 for debt service for \$8,000,000 in new bonding authority as provided in Part II, Capital Projects Budget, of this Act to support the Rockcastle Area Vocational Technical School."

"Facility for Education Arts Programs: Included in the above General Fund appropriation in fiscal year 2005-2006 is \$86,000 to provide for debt service for new bonds as forth in Part II, Capital Projects Budget, of this Act. A local school district shall match the state assistance provided from the Facility for Education Arts Programs with private funds. A local school district may combine assistance provided from the Facility for Education Arts Programs with other projects on the local facility plan. The criteria for disbursement of Facility for Education Arts Programs funds shall be determined by the Commissioner of Education and awards for Facility for Education Arts Programs funds shall be no later than August 31, 2005. The available moneys shall then be sent to all eligible local school districts no later than September 30, 2005."

"Russell County Learning Center: Included in the above General Fund appropriation is \$1,500,000 in fiscal year 2005-2006 to support facility maintenance and an upgrade to the Russell County Learning Center."

"Letcher County Central Vocational Center: Included in the above General Fund appropriation is \$1,500,000 in fiscal year 2005-2006 to support the construction and facility upgrade of the Letcher County Central Vocational Center."

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The General Assembly provides in Part II, Capital Projects, Bond Funds totaling \$8,000,000 to support the Rockcastle Area Vocational Technical School.

The General Assembly provides in Part II, Capital Projects, Bond Funds totaling \$1,800,000 to support the Facility for Education Arts Programs.

Part II, Capital Projects, Investment Income totaling \$675,000 in fiscal year 2005-2006 to support the Maintenance Pool is not included.

The General Assembly provides revised funding as reflected in Part III, Base Level Budget by Fund Source and Part V, Additional Budget Items of this Budget Modification Report.

The General Assembly sustains the following Veto Messages from the Governor of the Commonwealth:

Partial Veto #4 of HB 267 - "I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under section 88 of the Kentucky State Constitution, do hereby veto the following part on page 51, lines 17 through 19 in their entirety: 'Russell County Learning Center: Included in the above General Fund appropriation is \$1,500,000 in fiscal year 2005-2006 to support facility maintenance and an upgrade to the Russell County Learning Center.' This part is duplicative of a capital project appropriated in House Bill 350 for the Russell County Learning Center. House Bill 350 directs an appropriation of \$165,000 in General Fund in fiscal year 2005-2006 for debt service to support new bonds totaling \$3,500,000 for facility maintenance and an upgrade to the Russell County Learning Center. I am vetoing this part because it is duplicative and unnecessary."

Partial Veto #5 of HB 267 - "I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under section 88 of the Kentucky State Constitution, do hereby veto the following part on page 51, lines 20 through 22 in their entirety: 'Letcher County Central Vocational Center: Included in the above General Fund appropriation is \$1,500,000 in fiscal year 2005-2006 to support the construction and facility upgrade of the Letcher County Central Vocational Center.' This part is duplicative of a capital project appropriated in House Bill 350 for the Letcher County Central Vocational Center. House Bill 350 directs an appropriation of \$96,000 in General Fund in fiscal year 2005-2006 for debt service on new bonds totaling \$2,000,000 to support the construction and facility upgrade of the Letcher County Central Vocational Center. I am vetoing this part because it is duplicative and unnecessary."

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ADDITIONAL ACTIONS OF THE GENERAL ASSEMBLY

House Bill 350, Section 7, provides the following: "(1) There is hereby appropriated from the General Fund to the Department of Education \$96,000 in fiscal year 2005-2006 for debt service for \$2,000,000 in new bonding authority to support the construction and facility upgrade of the Letcher County Central Vocational Center. (2) There is hereby appropriated from the General Fund to the Department of Education \$165,000 in fiscal year 2005-2006 for debt service for \$3,500,000 in new bonding authority to support facility maintenance and an upgrade to the Russell County Learning Center."

D - Department of Education**Capital Budget****Operations and Support Services**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Bond Funds	3,839,000	3,839,000			15,300,000	15,300,000
Investment Income	675,000	675,000		675,000		(675,000)
TOTAL CAPITAL	4,514,000	4,514,000		675,000	15,300,000	14,625,000
II. CAPITAL PROJECTS						
1	Save Energy Performance Contract Project					
PRJ540B1126						
Other Funds						
Project Total						
2	Various Major Maintenance - KSD					
PRJ540B1130						
Bond Funds	3,839,000	3,839,000				
Project Total	3,839,000	3,839,000				
3	Maintenance Pool					
PRJ540B1133						
Investment Income	675,000	675,000		675,000		(675,000)
Project Total	675,000	675,000		675,000		(675,000)
4	Rockcastle Area Vocational Technical School					
PRJ540B1137						
Bond Funds					8,000,000	8,000,000
Project Total					8,000,000	8,000,000
5	Facility for Education Arts Programs					
PRJ540B1135						
Bond Funds					1,800,000	1,800,000
Project Total					1,800,000	1,800,000
6	Letcher County Central Vocational Center					
PRJ540B1139						
Bond Funds					2,000,000	2,000,000
Project Total					2,000,000	2,000,000

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D - Department of Education**Capital Budget****Operations and Support Services**

		Fiscal Year 2004-2005			Fiscal Year 2005-2006		
		Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
7	Russell County Learning Center						
PRJ540B1141							
Bond Funds						3,500,000	3,500,000
Project Total						3,500,000	3,500,000
TOTAL CAPITAL		4,514,000	4,514,000		675,000	15,300,000	14,625,000

D - Department of Education**Operating Budget****Learning and Results Services**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund (Tobacco)	1,888,400	1,888,400		1,888,400	1,888,400	
General Fund	641,065,500	641,170,200	104,700	788,138,900	781,797,100	(6,341,800)
Restricted Funds	1,794,200	1,794,200		1,801,200	1,801,200	
Federal Funds	622,064,200	622,064,200		627,223,100	627,223,100	
Regular Total Funds	1,266,812,300	1,266,917,000	104,700	1,419,051,600	1,412,709,800	(6,341,800)
Continuing	1,483,700	1,483,700				
TOTAL FUNDS	1,268,296,000	1,268,400,700	104,700	1,419,051,600	1,412,709,800	(6,341,800)
II. EXPENDITURE CATEGORY						
Personnel Costs	66,110,700	66,110,700		66,890,300	66,890,300	
Operating Expenses	5,920,500	5,920,500		5,348,700	5,348,700	
Grants, Loans, Benefits	1,196,264,800	1,196,369,500	104,700	1,347,148,600	1,340,806,800	(6,341,800)
Capital Outlay				(336,000)	(336,000)	
TOTAL EXPENDITURES	1,268,296,000	1,268,400,700	104,700	1,419,051,600	1,412,709,800	(6,341,800)
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund (Tobacco)	1,888,400	1,888,400		1,888,400	1,888,400	
General Fund	641,065,500	641,065,500		788,138,900	754,283,600	(33,855,300)
Restricted Funds	1,794,200	1,794,200		1,801,200	1,801,200	
Federal Funds	622,064,200	622,064,200		627,223,100	627,223,100	
Regular Total Funds	1,266,812,300	1,266,812,300		1,419,051,600	1,385,196,300	(33,855,300)
Continuing	1,483,700	1,483,700				
TOTAL BASE LEVEL	1,268,296,000	1,268,296,000		1,419,051,600	1,385,196,300	(33,855,300)
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund		104,700	104,700		27,513,500	27,513,500
TOTAL ADDITIONAL		104,700	104,700		27,513,500	27,513,500
V. ADDITIONAL BUDGET ITEMS						
1 EXPAN Extended School Services						
ABR540D0002 Provide funds to support Extended School Services at the revised FY 2003-2004 funding level.						
General Fund					12,780,300	12,780,300
Project Total					12,780,300	12,780,300

D - Department of Education**Operating Budget****Learning and Results Services**

			Fiscal Year 2004-2005			Fiscal Year 2005-2006		
			Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
2	EXPAN	Safe Schools						
ABR540D0004	Provide funds to support Safe Schools initiatives at the revised fiscal year 2003-2004 funding level.							
General Fund							417,900	417,900
Project Total							417,900	417,900
3	EXPAN	Community Education						
ABR540D0005	Provide funds to support Community Education to expand the utilization of public schools for all members of the community throughout the Commonwealth.							
General Fund							104,700	104,700
Project Total							104,700	104,700
4	EXPAN	Gifted and Talented						
ABR540D0007	Provide funds to support the Gifted and Talented Program at the revised FY 2003-2004 funding level.							
General Fund							12,100	12,100
Project Total							12,100	12,100
5	EXPAN	Elementary Arts and Language Education						
ABR540D0009	Provide funds to support the Elementary Arts and Language Education initiative at the revised FY 2003-2004 funding level.							
General Fund							484,400	484,400
Project Total							484,400	484,400
6	EXPAN	Locally-Operated Vocational Schools						
ABR540D0014	Provide funds to support locally-operated vocational schools at the revised FY 2003-2004 funding level.							
General Fund							998,500	998,500
Project Total							998,500	998,500
7	EXPAN	Professional Growth Fund						
ABR540D0012	Provide funds to support the Professional Growth Fund.							
General Fund							3,925,300	3,925,300
Project Total							3,925,300	3,925,300
8	EXPAN	Professional Development Leadership and Mentor fund						
ABR540D0013	Provide funds to support the Professional Development Leadership and Mentor Fund at the revised FY 2003-2004 funding level.							
General Fund							381,500	381,500
Project Total							381,500	381,500

D - Department of Education**Operating Budget****Learning and Results Services**

		Fiscal Year 2004-2005			Fiscal Year 2005-2006		
		Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
9	EXPAN Educator Recruitment and Retention						
ABR540D0021	Provide funds to support Educator and Recruitment and Retention at the revised FY 2003-2004 funding level.						
General Fund						486,700	486,700
Project Total						486,700	486,700
10	EXPAN Kentucky Writing Program						
ABR540D0016	Provide funds to support the Kentucky Writing Program at the revised FY 2003-2004 funding level.						
General Fund						377,000	377,000
Project Total						377,000	377,000
11	EXPAN Kentucky School for the Blind (KSB)						
ABR540D0017	Provide funds to support the operational expenses of the KSB at the revised FY 2003-2004 funding level.						
General Fund						116,900	116,900
Project Total						116,900	116,900
12	EXPAN Kentucky School for the Deaf (KSD)						
ABR540D0018	Provide funds to support the operational expenses of the KSD at the revised FY 2003-2004 funding level.						
General Fund						168,800	168,800
Project Total						168,800	168,800
13	EXPAN State Agency Children						
ABR540D0019	Provide funds to support State Agency Children at the revised FY 2003-2004 funding level.						
General Fund						1,046,300	1,046,300
Project Total						1,046,300	1,046,300
14	EXPAN Middle School Academic Achievement Center						
ABR540D0023	Provide funds to support the Middle School Academic Achievement Center at the revised FY 2003-2004 funding level.						
General Fund						387,500	387,500
Project Total						387,500	387,500
15	EXPAN Family Resource and Youth Services Centers						
ABR540D0024	Provide funds to support Family Resource and Youth Services Centers at the enacted FY 2003-2004 funding level.						
General Fund						1,675,600	1,675,600
Project Total						1,675,600	1,675,600

D - Department of Education**Operating Budget****Learning and Results Services**

			Fiscal Year 2004-2005			Fiscal Year 2005-2006		
			Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
16	NEW	Rural Literacy Program						
ABR540D0027	Provide funds to support an initiative designed to implement and mentor literacy programs in rural Kentucky.							
	General Fund						250,000	250,000
Project Total							250,000	250,000
17	NEW	Mathematics Achievement Fund						
ABR540D0028	Provide funds to support the establishment of the Mathematics Achievement Fund as envisioned in 2005 Regular Session HB 93.							
	General Fund						3,900,000	3,900,000
Project Total							3,900,000	3,900,000
TOTAL ADDITIONAL				104,700	104,700		27,513,500	27,513,500

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Learning and Results Services

BILL AS INTRODUCED

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

State salary/compensation and employment policy including increments, retirement, and health insurance and personnel complement are addressed in Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer includes a transfer from the Kentucky Successful Schools Trust Fund of \$204,900 in fiscal year 2004-2005.

General Fund support for the Middle School Demonstration Network is not provided in fiscal biennium 2004-2006.

General Fund support for the Direct Instruction Literacy Project is not provided in fiscal biennium 2004-2006.

General Fund support for the Child Assault Prevention Program is not provided in fiscal biennium 2004-2006.

General Fund support for Bus Driver Training Grants is not provided in fiscal biennium 2004-2006.

General Fund support for the reimbursement of local school district audits is not provided in fiscal biennium 2004-2006.

General Fund support for the Elementary Arts and Humanities Pilot Project is not provided in fiscal biennium 2004-2006.

General Fund support for Jobs for Kentucky's Graduates is not provided in fiscal biennium 2004-2006.

General Fund support for the Center for Middle School Academic Achievement is not provided in fiscal biennium 2004-2006.

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General Fund support for the Leadership and Mentoring Fund is not provided in fiscal biennium 2004-2006.

General Fund support for the Professional Growth Fund is not provided in fiscal biennium 2004-2006.

The Bill as Introduced provides General Fund - Phase I Tobacco Settlement Funds totaling \$1,888,400 in fiscal year 2004-2005 and \$1,888,400 in fiscal year 2005-2006 to support Early Childhood initiatives.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Funding for Employer Health and Life Insurance: If the costs for health insurance or life insurance coverage for employees of local school districts exceed the levels of appropriated funds, any unexpended Support Education Excellence in Kentucky appropriations may be used to offset the unbudgeted costs. Any transfer shall be subject to approval of the Governor upon the written recommendation of the Secretary of the Finance and Administration Cabinet pursuant to the written request of the Commissioner of Education. The per month per employee administrative assessment shall be remitted to the Personnel Cabinet by the Department of Education from the General Fund appropriation for local school district health and life insurance."

"Kentucky School for the Blind and Kentucky School for the Deaf: Included in the above General Fund appropriation is \$5,718,700 in fiscal year 2004-2005 and \$5,718,700 in fiscal year 2005-2006 for the Kentucky School for the Blind, and \$8,261,500 in fiscal year 2004-2005 and \$8,261,500 in fiscal year 2005-2006 for the Kentucky School for the Deaf."

"Kentucky Education Technology System:

(a) Area Vocational Education Centers shall be fully eligible to participate in the Kentucky Education Technology System. Notwithstanding KRS 157.660, the School Facilities Construction Commission, in consultation with the Kentucky Board of Education and the Department of Education, shall develop administrative regulations which identify a methodology by which the average daily attendance for Area Vocational Education Centers may be equated to the average daily attendance of other local school districts in order that they may receive their respective distributions of these funds.

(b) The School for the Deaf and the School for the Blind shall be fully eligible, along with local school districts, to participate in the Kentucky Education Technology System in a manner that takes into account the special needs of the students of these two schools."

"Family Resource and Youth Services Centers: Funds appropriated to establish and support Family Resource and Youth Services Centers shall be transferred in fiscal year 2004-2005 and in fiscal year 2005-2006 to the Health and Family Services Cabinet consistent with the intent of KRS 156.497. The Health and Family Services Cabinet is authorized to use, for administrative purposes,

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no more than three percent of the total funds transferred from the Department of Education for the Family Resource and Youth Services Centers. If a certified person is employed as a director or coordinator of a Family Resource or Youth Services Center, that person shall retain his or her status as a certified employee of the school district.

If 70 percent or more of the funding level provided by the state is utilized to support the salary of the director of a center, that center shall provide a report to the Health and Family Services Cabinet identifying the salary of the director. The Health and Family Services Cabinet shall transmit any reports received from Family Resource and Youth Services Centers pursuant to this provision to the Legislative Research Commission."

"Health Insurance: Included in the above General Fund appropriation is \$363,670,600 in fiscal year 2004-2005 for employer contributions for health insurance and the contribution to the flexible spending account for employees waiving coverage, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (2), and is not to be appropriated in duplication. Included in the above General Fund appropriation is \$471,540,800 in fiscal year 2005-2006 for employer contributions for health insurance and the contribution to the flexible spending account for employees waiving coverage."

"Learning and Results Services Programs: Included in the above General Fund appropriation are the following allocations for the 2004-2006 fiscal biennium:

- (a) \$18,336,400 in fiscal year 2004-2005 and \$19,079,200 in fiscal year 2005-2006 for the Extended School Services Program;
- (b) \$50,175,100 in each fiscal year for the Family Resource and Youth Services Centers Program;
- (c) \$51,625,400 in each fiscal year for the Preschool Program;
- (d) \$13,991,400 in fiscal year 2004-2005 and \$15,034,700 in fiscal year 2005-2006 for the Professional Development Program;
- (e) \$9,564,200 in fiscal year 2004-2005 and \$9,710,400 in fiscal year 2005-2006 for the Safe Schools Program;
- (f) \$20,000,000 in fiscal year 2004-2005 and \$19,500,000 in fiscal year 2005-2006 for the Education Technology Program;
- (g) \$21,700,100 in each fiscal year for the Textbooks Program;

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- (h) \$1,764,000 in each fiscal year for the Commonwealth School Improvement Fund;
- (i) \$5,600,000 in each fiscal year for the Highly Skilled Educators Program;
- (j) \$8,361,100 in fiscal year 2004-2005 and \$8,369,200 in fiscal year 2005-2006 for the Commonwealth Accountability Testing System (CATS);
- (k) \$616,500 in each fiscal year for the Blind/Deaf Residential Travel Program;
- (l) \$1,695,300 in each fiscal year for the Community Education Program;
- (m) \$720,900 in each fiscal year for the Dropout Prevention Program;
- (n) \$7,100,000 in fiscal year 2004-2005 and \$11,100,000 in fiscal year 2005-2006 for the Early Reading Incentive Grant/Read to Achieve Program;
- (o) \$7,109,400 in each fiscal year for the Gifted and Talented Program;
- (p) \$4,005,600 in each fiscal year for the School Food Services match;
- (q) \$9,415,800 in each fiscal year for the State Agency Children Program;
- (r) \$1,600,000 in each fiscal year for the Teacher Academies Program;
- (s) \$1,000,000 in fiscal year 2004-2005 and \$1,200,000 in fiscal year 2005-2006 for the Teacher Recruitment and Retention Program;
- (t) \$800,000 in each fiscal year for the Virtual Learning Program;
- (u) \$8,986,900 in each fiscal year for the Locally Operated Vocational Schools;
- (v) \$302,400 in fiscal year 2004-2005 and \$233,300 in fiscal year 2005-2006 for the Writing Program;
- (w) \$500,000 in each fiscal year for the Every1 Reads Program.

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(x) \$3,914,000 in each fiscal year for Local School District Life Insurance; and

(y) The allocations referenced in Section (5) of this budget unit for Local School District Health Insurance."

"Program Flexibility: Notwithstanding any statutes or administrative regulations to the contrary, the Department of Education, in concurrence with the Secretary of Education, shall determine the amount of funds appropriated within this budget unit that will be allocated directly to local school districts, which shall also be permitted flexibility in the allocation and implementation of the funds granted or allocated from the Department of Education from within this budget unit, upon review and approval by the Department. It is the intent of the General Assembly that local school districts effect the maximum administrative savings possible in order to increase funding to the classroom."

"Local District Grant Fund Carry Forward: Notwithstanding KRS 45.229, up to ten percent of any non-SEEK state grant fund, other than any state grant fund for the Read to Achieve Program, appropriated to the Department of Education and disbursed to a local district that is unexpended during fiscal year 2004-2005 may be carried forward to fiscal year 2005-2006. Notwithstanding KRS 45.229, any state grant fund for the Read to Achieve Program in fiscal year 2004-2005 may be carried forward to fiscal year 2005-2006."

"Highly Skilled Educators: Notwithstanding KRS 158.6455(3), 158.782, and 160.350(3), the Kentucky Department of Education shall have the authority to expend moneys appropriated for the Highly Skilled Education Assistance Program on intervention services that may be required by the Federal No Child Left Behind Act of 2001 (Pub. L. 107-110)."

"Commonwealth School Improvement Fund: Notwithstanding KRS 158.805, the Commissioner of Education shall be authorized to use the Commonwealth School Improvement Fund to provide support services to schools needing assistance under KRS 158.6455 or in order to meet the requirements of No Child Left Behind."

"Coal-Producing Counties School Learning Performance Fund: Notwithstanding KRS 42.4592, included in the above General Fund appropriation is \$8,000,000 in fiscal year 2005-2006 for a School Learning Performance Fund. The fund shall be utilized in furtherance of preparation of students for achievement in postsecondary education as well as the workforce, with a focus on strengthening the educational experience - particularly at the high school level - of students. All moneys from this fund shall be expended within local school districts within coal-producing counties and in accordance with criteria established by the Kentucky Board of Education."

"Flexible Compensation Program: Included in the above General Fund appropriation is \$25,855,300 in fiscal year 2005-2006 to develop a flexible compensation program that provides local districts increased opportunities to: (a) Recruit and retain teachers in critical shortage areas; (b) Provide incentives for teachers to serve in difficult assignments and hard-to-fill positions; (c) Reduce the

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numbers of emergency certified teachers; (d) Provide voluntary career advancement opportunities; (e) Reward teachers who increase their knowledge, skills and instructional leadership; and, (f) Encourage recruitment and retention of quality teachers. Funds from the program shall be expended based on criteria developed by the Kentucky Board of Education with the concurrence of the Education Professional Standards Board."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly amends Part I, Operating Budget, language provisions as follows:

"Kentucky School for the Blind and Kentucky School for the Deaf: Included in the above General Fund appropriation is \$5,718,700 in fiscal year 2004-2005 and \$5,835,600 in fiscal year 2005-2006 for the Kentucky School for the Blind, and \$8,261,500 in fiscal year 2004-2005 and \$8,430,300 in fiscal year 2005-2006 for the Kentucky School for the Deaf."

"Learning and Results Services Programs: Included in the above General Fund appropriation are the following allocations for the 2004-2006 fiscal biennium:

(a) \$18,336,400 in fiscal year 2004-2005 and \$31,859,500 in fiscal year 2005-2006 for the Extended School Services Program;

(b) \$50,175,100 in fiscal year 2004-2005 and \$51,850,700 in fiscal year 2005-2006 for the Family Resource and Youth Services Centers Program;

(c) \$51,625,400 in each fiscal year for the Preschool Program;

(d) \$13,991,400 in fiscal year 2004-2005 and \$15,034,700 in fiscal year 2005-2006 for the Professional Development Program;

(e) \$9,564,200 in fiscal year 2004-2005 and \$10,128,300 in fiscal year 2005-2006 for the Safe Schools Program;

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- (f) \$20,000,000 in fiscal year 2004-2005 and \$19,500,000 in fiscal year 2005-2006 for the Education Technology Program;
- (g) \$21,700,100 in each fiscal year for the Textbooks Program;
- (h) \$1,764,000 in each fiscal year for the Commonwealth School Improvement Fund;
- (i) \$5,600,000 in each fiscal year for the Highly Skilled Educators Program;
- (j) \$8,361,100 in fiscal year 2004-2005 and \$8,369,200 in fiscal year 2005-2006 for the Commonwealth Accountability Testing System (CATS);
- (k) \$616,500 in each fiscal year for the Blind/Deaf Residential Travel Program;
- (l) \$1,800,000 in fiscal year 2004-2005 and \$1,800,000 in fiscal year 2005-2006 for the Community Education Program. Included in the General Fund appropriations for the Community Education Program are funds totaling \$104,700 in fiscal year 2004-2005 and \$50,000 in fiscal year 2005-2006 which shall support community education director salaries and shall support community education director training;
- (m) \$720,900 in each fiscal year for the Dropout Prevention Program;
- (n) \$7,100,000 in fiscal year 2004-2005 and \$11,100,000 in fiscal year 2005-2006 for the Early Reading Incentive Grant/Read to Achieve Program;
- (o) \$7,109,400 in fiscal year 2004-2005 and \$7,121,500 in fiscal year 2005-2006 for the Gifted and Talented Program;
- (p) \$4,005,600 in each fiscal year for the School Food Services match;
- (q) \$9,415,800 in fiscal year 2004-2005 and \$10,462,100 in fiscal year 2005-2006 for the State Agency Children Program;
- (r) \$1,600,000 in each fiscal year for the Teacher Academies Program;
- (s) \$1,000,000 in fiscal year 2004-2005 and \$1,686,700 in fiscal year 2005-2006 for the Teacher Recruitment and Retention Program;

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- (t) \$800,000 in each fiscal year for the Virtual Learning Program;
- (u) \$8,986,900 in fiscal year 2004-2005 and \$9,985,400 in fiscal year 2005-2006 for the Locally Operated Vocational Schools;
- (v) \$302,400 in fiscal year 2004-2005 and \$610,300 in fiscal year 2005-2006 for the Writing Program;
- (w) \$500,000 in each fiscal year for the Every1 Reads Program.
- (x) \$3,914,000 in each fiscal year for Local School District Life Insurance;
- (y) The allocations referenced in Section (5) of this budget unit for Local School District Health Insurance;
- (z) \$484,400 in fiscal year 2005-2006 for the Elementary Arts and Humanities Initiative;
- (aa) \$387,500 in fiscal year 2005-2006 for the Middle School Academic Achievement Center;
- (ab) \$3,925,300 in fiscal year 2005-2006 for the Professional Growth Fund;
- (ac) \$381,500 in fiscal year 2005-2006 for the Professional Development Leadership and Mentor Fund; and
- (ad) \$3,900,000 in fiscal year 2005-2006 for the Mathematics Achievement Fund. Included in the General Fund appropriation for the Mathematics Achievement Fund are funds totaling \$400,000 in fiscal year 2005-2006 for operational expenses of the Center for Mathematics. Additionally, included in the General Fund appropriation for the Mathematics Achievement Fund are funds totaling \$500,000 in fiscal year 2005-2006 for the Center for Mathematics to provide intensive training of teachers in diagnostic assessment techniques and intervention services to assist primary students struggling with mathematics, especially those with deficits in numeracy. The center may contract for services in order to carry out this responsibility."

"Program Flexibility: Notwithstanding KRS 157.226(2) and (3), 157.3175(3) and (4), and 160.345(8) with regards to the state allocation, five programs (Professional Development, Extended School Services, Preschool, Textbooks, and Safe Schools) shall continue to permit the state and local school districts additional flexibility in the distribution of program funds while still addressing the governing statutes and serving the need and the intended student population."

The General Assembly adds Part I, Operating Budget, language provisions as follows:

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"Area Centers and Vocational Departments Funding Formula: All funds appropriated in this Act for supplementing the programs and operations of the area centers and vocational departments of the following districts shall be distributed by a weighted formula that is promulgated in an administrative regulation by the Kentucky Board of Education: Allen County, Ballard County, Bowling Green Independent, Boyd County, Carter County, Christian County, Covington Independent, Edmonson County, Fayette County, Fleming County, Franklin County, Grayson County, Henderson County, Lawrence County, Lewis County, Livingston County, Magoffin County, Marshall County, McCreary County, Newport Independent, Powell County, Simpson County, Trigg County, Union County, and Jefferson County. The weighted formula shall take into consideration the different costs of programs based on requirements for facilities, materials, and equipment to meet program standards, the number of students enrolled, and the number of hours students are enrolled."

"Funds Transfer: The Commissioner of the Department of Education may transfer any available funds between the Professional Growth Fund and the Professional Development Leadership Mentor Fund as needed to satisfy the demand and need to support respective teacher programs."

"Publishing Requirements: Notwithstanding KRS 158.6453(7), 160.463, and 424.220, public availability of the school district's complete annual financial statement and the school report card shall be made by publishing the documents in the newspaper of the largest general circulation in the county, electronically on the Internet, or by printed copy at a prearranged site at the main branch of the public library within the school district. If publication on the Internet or by printed copy at the public library is chosen, the superintendent shall be directed to publish notification in the newspaper of the largest circulation in the county as to the location where the document can be viewed by the public. The notification shall include the address of the library or the electronic address of the Web site on the Internet where the documents can be viewed."

"Surplus Property: Notwithstanding KRS 45A.045, 45.777, and 56.463, any funds received by the Commonwealth from the disposal of any surplus property at the Kentucky School for the Blind and the Kentucky School for the Deaf shall be deposited in a restricted account and shall not be expended without appropriation authority granted by the General Assembly."

"Advisory Council for Gifted and Talented Education: Notwithstanding KRS 158.648(1), a member of the Advisory Council for Gifted and Talented Education may be reappointed but may not serve more than three consecutive terms."

"Allocation of Safe School Funds: Notwithstanding KRS 158.446, the Center for School Safety shall develop and implement allotment policies for all moneys received for the purposes of KRS 158.440, 158.441, 158.442, 158.445, and 158.446."

"Rural Literacy Program: Included in the above appropriation is \$250,000 in fiscal year 2005-2006 to support Save the Children's Rural Literacy Program. These funds shall be transferred from the Kentucky Department of Education to the Health and Family Services Cabinet and shall be utilized by the Save the Children organization to design, implement, monitor, and evaluate integrated in-

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school, afterschool, and summer school literacy programs that include a Web-based data-collection system in rural southeastern Kentucky."

The provisions in Part I, Operating Budget, relating to Coal-Producing Counties School Learning Performance Fund and Flexible Compensation Program are not included.

The General Assembly provides revised funding as reflected in Part III, Base Level Budget by Fund Source and Part V, Additional Budget Items of this Budget Modification Report.

D - Department of Education**Operating Budget****Support Education Excellence in Kentucky (SEEK)**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	2,434,694,600	2,439,408,400	4,713,800	2,522,750,500	2,594,892,700	72,142,200
Regular Total Funds	2,434,694,600	2,439,408,400	4,713,800	2,522,750,500	2,594,892,700	72,142,200
Continuing						
TOTAL FUNDS	2,434,694,600	2,439,408,400	4,713,800	2,522,750,500	2,594,892,700	72,142,200
II. EXPENDITURE CATEGORY						
Grants, Loans, Benefits	2,434,694,600	2,439,408,400	4,713,800	2,522,750,500	2,594,892,700	72,142,200
TOTAL EXPENDITURES	2,434,694,600	2,439,408,400	4,713,800	2,522,750,500	2,594,892,700	72,142,200
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	2,434,694,600	2,433,712,000	(982,600)	2,522,750,500	2,522,384,200	(366,300)
Regular Total Funds	2,434,694,600	2,433,712,000	(982,600)	2,522,750,500	2,522,384,200	(366,300)
Continuing						
TOTAL BASE LEVEL	2,434,694,600	2,433,712,000	(982,600)	2,522,750,500	2,522,384,200	(366,300)
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund		5,696,400	5,696,400		72,508,500	72,508,500
TOTAL ADDITIONAL		5,696,400	5,696,400		72,508,500	72,508,500
V. ADDITIONAL BUDGET ITEMS						
1 EXPAN SEEK Base & Limited English Proficiency Student Expansion						
ABR540S0022	Provide funds to support increasing the SEEK Base from \$3,379 to \$3,399 and a weight of 0.075 for limited English proficient students in fiscal year 2005-2006.					
General Fund					17,173,100	17,173,100
Project Total					17,173,100	17,173,100
2 EXPAN SEEK Base & Tier I Increased Funding						
ABR540S0008	Provide funds to support increasing the SEEK Base & Tier I components pursuant to KRS 157.310 to 157.440 and a weight of 0.075 for limited English proficient students in fiscal year 2005-06. GENERAL ASSEMBLY: Provides SEEK Base per pupil totaling \$3,445.					
General Fund					35,357,000	35,357,000
Project Total					35,357,000	35,357,000

D - Department of Education**Operating Budget****Support Education Excellence in Kentucky (SEEK)**

		Fiscal Year 2004-2005			Fiscal Year 2005-2006		
		Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
3	CONTN	National Board for Professional Teaching Standards (NBPTS) Salary Supplement					
ABR540S0005	Provide funds to support the \$2,000 salary supplement for teachers who have applied and successfully completed NBPTS candidacy requirements.						
	General Fund		100,000	100,000		500,000	500,000
Project Total			100,000	100,000		500,000	500,000
4	CONTN	Equalized Growth Nickel					
ABR540S0019	Provide funds to those local school districts that have previously levied the "Growth Nickel" and have levied an additional "Growth Nickel".						
	General Fund		5,595,400	5,595,400		10,047,300	10,047,300
Project Total			5,595,400	5,595,400		10,047,300	10,047,300
5	CONTN	Facilities Support Program of Kentucky (FSPK)					
ABR540S0018	Provide funds to fully support the FSPK program in FY 2004-2005.						
	General Fund		1,000	1,000			
Project Total			1,000	1,000			
6	NEW	Retroactive Equalized Nickel					
ABR540S0020	Provide funds to support equalized funding to local school districts that have levied a tax subject to recall in FY 2003-2004 in addition to the FSPK levy and have committed the receipts to debt service, new facilities, or major renovations.						
	General Fund					1,724,500	1,724,500
Project Total						1,724,500	1,724,500
7	NEW	School Facilities Matching Grant Initiative					
ABR540S0021	Provide funds to support local school districts who have received a substantial monetary contribution, levied an equivalent tax rate in excess of Tier I, and have at least 75% of its students eligible for free and reduced price meals.						
	General Fund					225,000	225,000
Project Total						225,000	225,000
8	CONTN	Kentucky Teachers Retirement System (KTRS) Employer Contribution					
ABR540S0023	Provide funds to support the KTRS Employer Contribution for associated salary increases of active members in local school districts.						
	General Fund					2,852,900	2,852,900
Project Total						2,852,900	2,852,900

D - Department of Education**Operating Budget****Support Education Excellence in Kentucky (SEEK)**

			Fiscal Year 2004-2005			Fiscal Year 2005-2006		
			Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
9	NEW	Equalized Facility Funding						
ABR540S0024	Provide funds to support equalized funding to local school districts that have levied at least a ten cents equivalent tax rate for building purposes and receive no nickel equalization other than FSPK.							
General Fund							4,628,700	4,628,700
Project Total							4,628,700	4,628,700
TOTAL ADDITIONAL				5,696,400	5,696,400		72,508,500	72,508,500

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Support Education Excellence in Kentucky (SEEK) Program

BILL AS INTRODUCED

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The Bill as Introduced provides General Fund support totaling \$1,907,653,700 in fiscal year 2004-2005 and \$1,987,104,900 in fiscal year 2005-2006 for base SEEK as defined by KRS 157.360. These General Fund moneys include the associated costs of the Pupil Transportation component of SEEK as identified below.

The Bill as Introduced provides a SEEK per pupil guarantee (including \$100 capital outlay) of \$3,240 in fiscal year 2004-2005 and \$3,379 in fiscal year 2005-2006 based on a projected average daily attendance (ADA) totaling approximately 577,343 students in fiscal year 2004-2005 and 579,643 students in fiscal year 2005-2006. These projected ADA totals represent a consensus estimate reached by the Kentucky Department of Education and the Office of State Budget Director.

The Bill as Introduced provides General Fund support for the following: (a) \$144,014,500 in fiscal year 2004-2005 and \$143,460,700 in fiscal year 2005-2006 to fully fund the Tier I component of SEEK as established by KRS 157.440, utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year; (b) \$211,953,500 in fiscal year 2004-2005 and \$211,953,500 in fiscal year 2005-2006 to fund the Pupil Transportation component of SEEK, notwithstanding KRS 157.360(2)(c); (c) \$62,889,800 in fiscal year 2004-2005 and \$59,075,400 in fiscal year 2005-2006 is provided to fully fund the Facilities Support Program pursuant to the provisions of KRS 157.440 and 157.620, utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year; (d) \$3,000,000 in fiscal year 2004-2005 and \$3,000,000 in fiscal year 2005-2006 to fund the Equalized Growth Nickel as provided for by the 2003 General Assembly in HB 269, the State/Executive Branch Budget Bill, Part IX, Special Provisions, 14. g., utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year.

The Bill as Introduced incorporates a consensus estimate reached by the Kentucky Revenue Cabinet, the Kentucky Department of Education, and the Office of State Budget Director projecting a statewide assessed valuation of \$217,827,747,600 in fiscal year 2004-2005 and \$231,611,000,900 in fiscal year 2005-2006.

The Bill as Introduced includes the continuation of the factor (.15) to be applied to the SEEK base per pupil guarantee to determine the "at-risk" funds to be included in the SEEK funding formula in fiscal biennium 2004-2006.

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The Bill as Introduced continues the modified "hold-harmless" guarantee in fiscal biennium 2004-2006 and provides that every local school district will receive at least the same amount of SEEK state funding per pupil as was received in fiscal year 1991-1992.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Common School Fund Earnings: Accumulated earnings for the Common School Fund shall be transferred in each fiscal year to the SEEK Program."

"Fiscal Year 2004-2005 General Fund Appropriation: Included in the above General Fund appropriation is \$2,428,801,400 in fiscal year 2004-2005 for the SEEK Program, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. Also included in the above General Fund appropriation is \$5,893,200 in fiscal year 2004-2005 for the SEEK Program, which is in addition to the amount appropriated for this purpose in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1). Included in the above General Fund appropriation is \$2,387,759,500 for the baseline SEEK Program and related programs in fiscal year 2004-2005, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. Also included in the above General Fund appropriation is \$5,893,200 in fiscal year 2004-2005 for the baseline SEEK Program and related programs, which is in addition to the amount appropriated for this purpose in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1)."

"Base SEEK Allotments: The above appropriation includes \$1,907,653,700 in fiscal year 2004-2005 and \$1,987,104,900 in fiscal year 2005-2006 for the base SEEK Program as defined by KRS 157.360. Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose except as provided in this Act. Notwithstanding KRS 157.360(2)(c), included in the appropriation for the base SEEK Program is \$211,953,500 in fiscal year 2004-2005 and \$211,953,500 in fiscal year 2005-2006 for pupil transportation."

"Tier I Component: Included in the above appropriation is \$144,014,500 in fiscal year 2004-2005 and \$143,460,700 in fiscal year 2005-2006 for the Tier I component as established by KRS 157.440."

"Vocational Transportation: Included in the above appropriation is \$2,416,900 in fiscal year 2004-2005 and \$2,416,900 in fiscal year 2005-2006 for vocational transportation."

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"Secondary Vocational Education: Included in the above appropriation is \$21,952,600 in fiscal year 2004-2005 and \$21,952,600 in fiscal year 2005-2006 to provide secondary vocational education in state-operated vocational schools."

"Facilities Support Program of Kentucky/Equalized Growth Nickel: Included in the above appropriation is \$65,889,800 in fiscal year 2004-2005 and \$62,075,400 in fiscal year 2005-2006 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620. Included in the above appropriation is \$3,000,000 in fiscal year 2004-2005 and \$3,000,000 in fiscal year 2005-2006 to provide facilities equalization funding for debt service, new facilities, and major renovations of existing facilities pursuant to KRS 157.440, 157.620, and 157.621(2) and (3) as provided for in Section (14) of this budget unit regarding equalized growth nickel funding."

"Teachers' Retirement System Employer Match: Included in the above appropriation is \$290,497,100 in fiscal year 2004-2005 and \$304,382,000 in fiscal year 2005-2006 to enable local school districts to provide the employer match for qualified employees as provided for by KRS 161.550, including \$4,441,900 in fiscal year 2004-2005 to support the Kentucky Teachers' Retirement System contributions for associated salary increases for active members, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication."

"Salary Supplements for Nationally Certified Teachers: Notwithstanding KRS 157.395, included in the above appropriation is \$1,358,000 in fiscal year 2004-2005 and \$1,358,000 in fiscal year 2005-2006 for the purpose of providing salary supplements for teachers attaining certification by the National Board for Professional Teaching Standards."

"Allocation of SEEK Funds: Notwithstanding KRS 157.360(2)(c), the above appropriation to the base SEEK Program are intended to provide a base guarantee of \$3,240 per student in average daily attendance in fiscal year 2004-2005 and \$3,379 per student in average daily attendance in fiscal year 2005-2006 as well as to meet the other requirements of KRS 157.360.

Nothing in this Act shall be construed as prohibiting the contracting out of pupil transportation services.

Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose except as provided in this Act. The total appropriation for the SEEK Program shall be measured by, or construed as, estimates of the state expenditures required by KRS 157.310 to 157.440. If the required expenditures exceed these estimates, the Secretary of the Finance and Administration Cabinet, upon the written request of the Commissioner of Education and with approval of the Governor, may increase the appropriation by

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Support Education Excellence in Kentucky (SEEK) Program

such amount as may be available and necessary to meet, to the extent possible, the required expenditures under the cited sections of the Kentucky Revised Statutes, but any increase of the total appropriation to the SEEK Program is subject to Part III, General Provisions, of this Act, and the provisions of KRS Chapter 48. If funds appropriated to the SEEK Program are insufficient to provide the amount of money required under KRS 157.310 to 157.440, allotments to local school districts may be reduced in accordance with KRS 157.430."

"Local School District Certified and Classified Employee Pay Increases: Included in the above General Fund appropriation in fiscal year 2004-2005 and fiscal year 2005-2006 are funds for the purpose of providing pay increases for all certified and classified employees of local school districts, including \$36,600,000 in fiscal year 2004-2005 for the cost-of-living increase for certified and classified employees of local boards of education, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. During fiscal year 2004-2005 local school districts shall provide all certified and classified staff a salary or compensation increase of not less than two percent and an additional increase of not less than one percent effective January 1, 2005. Notwithstanding KRS 160.470(2), included in the above appropriation in fiscal year 2004-2005 is \$912,000 for the purpose of providing aid to any local school district determined to be financially incapable of providing the mandated salary or compensation increases. The determination shall be made by the State Budget Director in consultation with the Commissioner of the Department of Education and the Secretary of the Education Cabinet. During school year 2005-2006 local school districts shall provide all certified and classified personnel a salary or compensation increase of not less than two percent. The above pay increases in fiscal year 2004-2005 and fiscal year 2005-2006 for certified staff shall be in addition to the normal rank and step increases attained by certified personnel employed by local school districts."

"Final SEEK Calculation: Notwithstanding KRS 157.410, on or before March 1 of each year, the chief state school officer shall determine the exact amount of the public common school fund to which each district is entitled and the remainder of the amount due each district for the year shall be distributed in equal installments beginning the first month after completion of final calculation and for each successive month thereafter."

"SEEK Adjustment Factors: Funds allocated for the SEEK base and its adjustment factors that are not needed for the base or a particular adjustment factor may be allocated to other adjustment factors, if funds for that adjustment factor are not sufficient."

"Equalized Growth Nickel: Notwithstanding KRS 157.621(1), local school districts shall receive state equalization facilities funding up to the amounts available for this purpose on the existing additional tax levy pursuant to KRS 157.621 if they have: (a) Previously levied the additional tax pursuant to KRS 157.621 for debt service and new facilities prior to fiscal year 2003-2004; (b) Levied the

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Support Education Excellence in Kentucky (SEEK) Program

five cents under the provisions of KRS 157.440; (c) Met the growth requirements in KRS 157.621(2) in fiscal year 2002-2003; and (d) Levied an additional nickel tax pursuant to KRS 157.621 in addition to (a) and (b) of this section."

"School Employee Flexible Spending Account Funds Transfer: Except as provided in Part IV, State Salary/Compensation and Employment Policy, of this Act, any funds remaining in flexible spending accounts of employees of local school districts for calendar year 2004 and calendar year 2005 shall be transferred to the credit of the General Fund."

"Standards for Allocating Administrative and Classroom Moneys: The Office of Education Accountability, in concurrence with the Secretary of the Education Cabinet, shall develop a report that recommends standard definitions for local school expenditure codes and ratios or a range of ratios that would constitute standards for allocation of administrative and classroom moneys. This study shall use the Standard and Poor's Performance Cost Index (PCI) as the basis for analyses of the return on resources by schools, districts, and the state as a whole as expressed by student performance."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly provides General Fund support totaling \$1,906,202,500 in fiscal year 2004-2005 and \$2,037,080,100 in fiscal year 2005-2006 for base SEEK as defined by KRS 157.360.

The General Assembly provides a SEEK per pupil guarantee (including \$100 capital outlay) of \$3,240 in fiscal year 2004-2005 and \$3,445 in fiscal year 2005-2006.

The General Assembly provides General Fund support for the following: (a) \$145,295,100 in fiscal year 2004-2005 and \$145,649,300 in fiscal year 2005-2006 to fully fund the Tier I component of SEEK as established by KRS 157.440, utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year; (b) \$62,890,800 in fiscal year 2004-2005 and \$59,075,400 in fiscal year 2005-2006 is provided to fully fund the Facilities Support Program pursuant to the provisions of KRS 157.440 and 157.620, utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year; (c) \$8,595,400 in fiscal year 2004-

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Support Education Excellence in Kentucky (SEEK) Program

2005 and \$13,047,300 in fiscal year 2005-2006 to fund the Equalized Growth Nickel as provided for by the 2003 General Assembly in HB 269, the State/Executive Branch Budget Bill, Part IX, Special Provisions, 14. g., utilizing \$587,000 as the 150% of the statewide average per pupil assessment in each fiscal year.

The General Assembly provides a factor (.075) to be applied to the SEEK base per pupil guarantee to determine the limited English proficiency funds to be included in the SEEK funding formula in fiscal year 2005-2006.

The General Assembly amends Part I, Operating Budget, language provisions as follows:

"Base SEEK Allotments: The above appropriation includes \$1,906,202,500 in fiscal year 2004-2005 and \$2,037,080,100 in fiscal year 2005-2006 for the base SEEK Program as defined by KRS 157.360. Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose except as provided in this Act. Notwithstanding KRS 157.360(2)(c), included in the appropriation for the base SEEK Program is \$211,953,500 in fiscal year 2004-2005 and \$211,953,500 in fiscal year 2005-2006 for pupil transportation."

"Tier I Component: Included in the above appropriation is \$145,295,100 in fiscal year 2004-2005 and \$145,649,300 in fiscal year 2005-2006 for the Tier I component as established by KRS 157.440."

"Facilities Support Program of Kentucky/Equalized Growth Nickel: Included in the above appropriation is \$71,486,200 in fiscal year 2004-2005 and \$72,122,700 in fiscal year 2005-2006 to provide facilities equalization funding pursuant to KRS 157.440 and 157.620. Included in the above appropriation is \$8,595,400 in fiscal year 2004-2005 and \$13,047,300 in fiscal year 2005-2006 to provide facilities equalization funding for debt service, new facilities, and major renovations of existing facilities pursuant to KRS 157.440, 157.620, and 157.621(2) and (3) as provided for in Section (14) of this budget unit regarding equalized growth nickel funding."

"Teachers' Retirement System Employer Match: Included in the above appropriation is \$290,497,100 in fiscal year 2004-2005 and \$307,234,900 in fiscal year 2005-2006 to enable local school districts to provide the employer match for qualified employees as provided for by KRS 161.550, including \$4,441,900 in fiscal year 2004-2005 to support the Kentucky Teachers' Retirement System contributions for associated salary increases for active members, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication."

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04/19/05 9:32 AM

Support Education Excellence in Kentucky (SEEK) Program

"Salary Supplements for Nationally Certified Teachers: Notwithstanding KRS 157.395, included in the above appropriation is \$1,458,000 in fiscal year 2004-2005 and \$1,858,000 in fiscal year 2005-2006 for the purpose of providing salary supplements for teachers attaining certification by the National Board for Professional Teaching Standards."

"Allocation of SEEK Funds: Notwithstanding KRS 157.360(2)(c), the above appropriation to the base SEEK Program are intended to provide a base guarantee of \$3,240 per student in average daily attendance in fiscal year 2004-2005 and \$3,445 per student in average daily attendance in fiscal year 2005-2006 as well as to meet the other requirements of KRS 157.360.

Nothing in this Act shall be construed as prohibiting the contracting out of pupil transportation services.

Funds appropriated to the SEEK Program shall be allotted to school districts in accordance with KRS 157.310 to 157.440, except that the total of the funds allotted shall not exceed the appropriations for this purpose except as provided in this Act. The total appropriation for the SEEK Program shall be measured by, or construed as, estimates of the state expenditures required by KRS 157.310 to 157.440. If the required expenditures exceed these estimates, the Secretary of the Finance and Administration Cabinet, upon the written request of the Commissioner of Education and with approval of the Governor, may increase the appropriation by such amount as may be available and necessary to meet, to the extent possible, the required expenditures under the cited sections of the Kentucky Revised Statutes, but any increase of the total appropriation to the SEEK Program is subject to Part III, General Provisions, of this Act, and the provisions of KRS Chapter 48. If funds appropriated to the SEEK Program are insufficient to provide the amount of money required under KRS 157.310 to 157.440, allotments to local school districts may be reduced in accordance with KRS 157.430."

"Local School District Certified and Classified Employee Pay Increases: Included in the above General Fund appropriation in fiscal year 2004-2005 and fiscal year 2005-2006 are funds for the purpose of providing pay increases for all certified and classified employees of local school districts, including \$36,600,000 in fiscal year 2004-2005 for the cost-of-living increase for certified and classified employees of local boards of education, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 13, subsec. (1), and is not to be appropriated in duplication. During fiscal year 2004-2005 local school districts shall provide all certified and classified staff a salary or compensation increase of not less than two percent and an additional increase of not less than one percent effective January 1, 2005. Notwithstanding KRS 160.470(2), included in the above appropriation in fiscal year 2004-2005 is \$100,000 for the purpose of providing aid to any local school district determined to be financially incapable of providing the mandated salary or compensation increases. During school year 2005-2006 local school districts shall provide all certified and classified personnel a salary or compensation increase of not less than three percent. The above pay increases in fiscal year 2004-2005

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Support Education Excellence in Kentucky (SEEK) Program

and fiscal year 2005-2006 for certified staff shall be in addition to the normal rank and step increases attained by certified personnel employed by local school districts."

"Equalized Growth Nickel: Notwithstanding KRS 157.621(1), local school districts shall receive state equalization facilities funding up to the amounts available for this purpose on the existing additional tax levy pursuant to KRS 157.621 if they have: (a) Previously levied the additional tax pursuant to KRS 157.621 for debt service and new facilities; (b) Levied the five cents under the provisions of KRS 157.440; (c) Met the growth requirements in KRS 157.621(2) in fiscal year 2004-2005; and (d) Levied an additional nickel tax pursuant to KRS 157.621 in addition to (a) and (b) of this section."

The General Assembly adds Part I, Operating Budget, language provisions as follows:

"Local Revenue: For calendar year 2005, a district board of education may levy a general rate that will produce revenue from real property, exclusive of revenue from new property, that is up to four percent over the amount of the revenue produced by the compensating rate as defined in KRS 132.010."

"Use of Local District Capital Outlay Funds: Notwithstanding KRS 157.420(4) and (6), a local district may submit a request to the Commissioner of Education to use capital outlay funds for maintenance expenditures or for the purchase of property insurance in fiscal year 2004-2005 and fiscal year 2005-2006 without forfeiture of the district's participation in the School Facilities Construction Commission."

"Retroactive Equalized Facility Funding: Included in the above appropriation is \$1,724,500 in fiscal year 2005-2006 to provide equalized facility funding to districts meeting the following eligibility requirements: A local board of education that levied a tax rate subject to recall in fiscal year 2003-2004 in addition to the five cents levied pursuant to KRS 157.440(1)(b) and that committed the receipts to debt service, new facilities, or major renovations of existing school facilities shall be eligible for equalization funds from the state at 150 percent of the statewide average per pupil assessment. The equalization funds shall be used as provided in KRS 157.440(1)(b)."

"Hold Harmless Property Tax Rates: If a local school district is deemed to be a "Hold Harmless" local school district pursuant to the fiscal year 2005-2006 Support Education Excellence in Kentucky tentative calculation, the local school district shall not be required to levy a property tax rate lower in fiscal year 2005-2006 than the property tax rate levied in fiscal year 2004-2005."

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Support Education Excellence in Kentucky (SEEK) Program

"Equalized Facility Funding: Included in the above General Fund appropriation is \$4,628,700 in fiscal year 2005-2006 to provide equalized facility funding to districts meeting the following eligibility requirements: (a) The board of education has levied at least a ten cent equivalent tax rate for building purposes or has debt service of at least a ten cent equivalent tax rate as of February 24, 2005; (b) The district has not received equalized growth facility funding as a result of 2003 Ky. Acts ch. 156, Part I, C. Education, 32. Education, a. Support Education Excellence in Kentucky (SEEK) Program; (c) The district will not receive retroactive equalized facility funding as set forth in this Act; and (d) The district has received approval by the Commissioner of Education. Eligible districts shall receive equalization funds from the state at 150 percent of the statewide average per pupil assessment, and these funds shall be used as provided in KRS 157.440(1)(b)."

"School Facilities Matching Grant Initiative: Included in the above appropriation is \$225,000 in fiscal year 2005-2006 to support the School Facilities Matching Grant Initiative. A local school district shall meet the following eligibility requirements to receive School Facilities Matching Grant Initiative funding in fiscal year 2005-2006: (a) A local school district has received a monetary contribution in excess of \$900,000 in the prior fiscal year that is dedicated to a project on the district's approved facility plan; (b) A local school district has an equivalent tax rate in excess of the district's maximum Tier I equivalent tax rate pursuant to KRS 157.440; and (c) A local school district has in excess of 75 percent of its student population eligible for free and reduced priced meals. The Kentucky Board of Education shall certify eligibility of a local school district to participate in the School Facilities Matching Grant Initiative and make awards no later than August 31, 2005. The available moneys shall then be sent on a prorated basis to all eligible local school districts no later than September 30, 2005."

"Legislative Intent: By establishing the School Facilities Construction Commission, the General Assembly expressed its commitment to helping local school districts meet the school construction needs and later the education technology needs of the state in a manner which will insure an equitable distribution of funds based on unmet facilities need and the total implementation of the Kentucky Education Technology System. It is the intent of the General Assembly that the School Facilities Construction Commission continue to be the primary means of assisting local school districts in maintaining a quality facility program. To strengthen that commitment, the General Assembly declares that the Urgent Need School Trust Fund Program shall cease to exist June 30, 2006. School districts that have committed funds from the Urgent Need School Trust Fund for debt service will continue to receive funding for the term of the bond issue. The General Assembly further declares that the Equalized Facility Funding Program shall cease to exist June 30, 2006. Those school districts who are eligible to receive funding from the Equalized Facility Funding on the effective date of this Act will continue to receive equalization funding for a period of ten years. In Part III, General Provisions, of this Act the General Assembly directs the Office of Education Accountability to conduct a review of the School Facilities Construction Commission and make appropriate recommendations for strengthening this program."

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Support Education Excellence in Kentucky (SEEK) Program

The provision Part I, Operating Budget, relating to Standards for Allocating Administrative and Classroom Moneys is not included.

The General Assembly provides revised funding as reflected in Part III, Base Level Budget by Fund Source and Part V, Additional Budget Items of this Budget Modification Report.

ADDITIONAL ACTIONS OF THE GENERAL ASSEMBLY

House Bill 497, Section 10, amends a Part I, Operating Budget, language provision as follows:

"Legislative Intent: By establishing the School Facilities Construction Commission, the General Assembly expressed its commitment to helping local school districts meet the school construction needs and later the education technology needs of the state in a manner which will insure an equitable distribution of funds based on unmet facilities need and the total implementation of the Kentucky Education Technology System. It is the intent of the General Assembly that the School Facilities Construction Commission continue to be the primary means of assisting local school districts in maintaining a quality facility program. To strengthen that commitment, the General Assembly declares that the Urgent Need School Trust Fund Program shall cease to exist June 30, 2006. School districts that have committed funds from the Urgent Need School Trust Fund for debt service will continue to receive funding for the term of the bond issue. The General Assembly further declares that the Equalized Facility Funding Program shall cease to exist June 30, 2006. Those school districts who are eligible to receive funding from the Equalized Facility Funding on the effective date of this Act will continue to receive equalization funding for a period of twenty years. In Part III, General Provisions, of this Act the General Assembly directs the Office of Education Accountability to conduct a review of the School Facilities Construction Commission and make appropriate recommendations for strengthening this program."

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FISCAL BIENNIUM 2004-2006 COMMONWEALTH BUDGET

FINAL BUDGET MEMORANDUM

EDUCATION CABINET

APRIL 27, 2005

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Education Cabinet

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FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

OPERATING BUDGET - TOTAL FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
General Administration and Program Support	9,934,800	9,934,800		10,181,400	10,181,400	
Deaf and Hard of Hearing	1,113,300	1,113,300		1,073,100	1,073,100	
Kentucky Educational Television	16,345,200	16,345,200		15,969,900	15,969,900	
Environmental Education Council	342,600	342,600		187,200	187,200	
Libraries and Archives - General Operations	10,899,700	10,899,700		10,720,100	10,720,100	
Libraries and Archives - Direct Local Aid	6,930,500	7,011,000	80,500	6,783,900	6,864,400	80,500
School Facilities Construction Commission	91,246,900	91,246,900		102,844,300	111,142,400	8,298,100
Teachers' Retirement System	117,166,700	117,166,700		135,113,500	139,413,100	4,299,600
Office for the Blind	11,347,900	11,347,900		11,778,600	11,778,600	
Employment and Training	802,407,600	802,407,600		801,831,100	801,831,100	
Career and Technical Education	60,786,200	60,786,200		61,248,900	66,620,900	5,372,000
Vocational Rehabilitation	60,760,200	60,760,200		62,509,500	62,759,500	250,000
Education Professional Standards Board	15,079,600	15,079,600		15,520,800	15,820,800	300,000
Regular Appropriation	1,204,361,200	1,204,441,700	80,500	1,235,762,300	1,254,362,500	18,600,200

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

OPERATING BUDGET - GENERAL FUND

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
General Administration and Program Support	4,022,600	4,022,600		4,264,200	4,264,200	
Deaf and Hard of Hearing	821,100	821,100		821,100	821,100	
Kentucky Educational Television	14,145,200	14,145,200		14,194,200	14,194,200	
Libraries and Archives - General Operations	6,722,000	6,722,000		6,868,600	6,868,600	
Libraries and Archives - Direct Local Aid	6,497,500	6,578,000	80,500	6,350,900	6,431,400	80,500
School Facilities Construction Commission	91,246,900	91,246,900		102,844,300	111,142,400	8,298,100
Teachers' Retirement System	109,018,800	109,018,800		126,500,000	130,799,600	4,299,600
Office for the Blind	1,290,300	1,290,300		1,306,300	1,306,300	
Career and Technical Education	25,373,700	25,373,700		26,098,700	31,470,700	5,372,000
Vocational Rehabilitation	12,294,300	12,294,300		12,422,300	12,672,300	250,000
Education Professional Standards Board	9,870,800	9,870,800		10,312,000	10,312,000	
Regular Appropriation	281,303,200	281,383,700	80,500	311,982,600	330,282,800	18,300,200

CONTINUED RESERVE SPENDING SUMMARY BY APPROPRIATION UNIT

Education Professional Standards Board	842,400	842,400	
Reserve Spending	842,400	842,400	

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

OPERATING BUDGET - RESTRICTED FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
General Administration and Program Support	5,727,200	5,727,200		5,727,200	5,727,200	
Deaf and Hard of Hearing	292,200	292,200		252,000	252,000	
Kentucky Educational Television	1,500,000	1,500,000		1,075,700	1,075,700	
Environmental Education Council	342,600	342,600		187,200	187,200	
Libraries and Archives - General Operations	1,827,600	1,827,600		1,896,200	1,896,200	
Libraries and Archives - Direct Local Aid	9,000	9,000		9,000	9,000	
Teachers' Retirement System	8,147,900	8,147,900		8,613,500	8,613,500	
Office for the Blind	1,847,200	1,847,200		1,833,900	1,833,900	
Employment and Training	4,870,000	4,870,000		3,393,900	3,393,900	
Career and Technical Education	20,232,800	20,232,800		19,970,500	19,970,500	
Vocational Rehabilitation	2,952,900	2,952,900		2,893,200	2,893,200	
Education Professional Standards Board	829,600	829,600		829,600	1,129,600	300,000
Regular Appropriation	48,579,000	48,579,000		46,681,900	46,981,900	300,000

FB 2004-2006 FINAL BUDGET MEMORANDUM - 2005 GENERAL ASSEMBLY

OPERATING BUDGET - FEDERAL FUNDS

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT						
General Administration and Program Support	185,000	185,000		190,000	190,000	
Kentucky Educational Television	700,000	700,000		700,000	700,000	
Libraries and Archives - General Operations	2,350,100	2,350,100		1,955,300	1,955,300	
Libraries and Archives - Direct Local Aid	424,000	424,000		424,000	424,000	
Office for the Blind	8,210,400	8,210,400		8,638,400	8,638,400	
Employment and Training	797,537,600	797,537,600		798,437,200	798,437,200	
Career and Technical Education	15,179,700	15,179,700		15,179,700	15,179,700	
Vocational Rehabilitation	45,513,000	45,513,000		47,194,000	47,194,000	
Education Professional Standards Board	4,379,200	4,379,200		4,379,200	4,379,200	
Regular Appropriation	874,479,000	874,479,000		877,097,800	877,097,800	

E - Education Cabinet**Operating Budget****Summary Totals**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	281,303,200	281,383,700	80,500	311,982,600	330,282,800	18,300,200
Restricted Funds	48,579,000	48,579,000		46,681,900	46,981,900	300,000
Federal Funds	874,479,000	874,479,000		877,097,800	877,097,800	
Regular Total Funds	1,204,361,200	1,204,441,700	80,500	1,235,762,300	1,254,362,500	18,600,200
Continuing	842,400	842,400				
TOTAL FUNDS	1,205,203,600	1,205,284,100	80,500	1,235,762,300	1,254,362,500	18,600,200

II. EXPENDITURE CATEGORY

Personnel Costs	145,760,000	145,760,000		146,430,300	146,430,300	
Operating Expenses	43,782,400	43,782,400		43,123,600	43,123,600	
Grants, Loans, Benefits	922,616,800	922,697,300	80,500	941,845,500	952,075,600	10,230,100
Debt Service	91,000,000	91,000,000		102,705,000	111,075,100	8,370,100
Capital Outlay	2,044,400	2,044,400		1,657,900	1,657,900	
TOTAL EXPENDITURES	1,205,203,600	1,205,284,100	80,500	1,235,762,300	1,254,362,500	18,600,200

III. BASE LEVEL BUDGET BY FUND SOURCE

General Fund	281,303,200	281,383,700	80,500	311,982,600	312,063,100	80,500
Restricted Funds	48,579,000	48,579,000		46,681,900	46,981,900	300,000
Federal Funds	874,479,000	874,479,000		877,097,800	877,097,800	
Regular Total Funds	1,204,361,200	1,204,441,700	80,500	1,235,762,300	1,236,142,800	380,500
Continuing	842,400	842,400				
TOTAL BASE LEVEL	1,205,203,600	1,205,284,100	80,500	1,235,762,300	1,236,142,800	380,500

IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE

General Fund					18,219,700	18,219,700
TOTAL ADDITIONAL					18,219,700	18,219,700

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E - Education Cabinet**Capital Budget****Summary Totals**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
General Fund						
Restricted Funds				2,000,000	2,000,000	
Bond Funds	70,055,000	169,902,300	99,847,300			
Investment Income	495,000	495,000		560,000	560,000	
TOTAL CAPITAL	70,550,000	170,397,300	99,847,300	2,560,000	2,560,000	

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E - Education Cabinet**Operating Budget****General Administration and Program Support**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	4,022,600	4,022,600		4,264,200	4,264,200	
Restricted Funds	5,727,200	5,727,200		5,727,200	5,727,200	
Federal Funds	185,000	185,000		190,000	190,000	
Regular Total Funds	9,934,800	9,934,800		10,181,400	10,181,400	
Continuing						
TOTAL FUNDS	9,934,800	9,934,800		10,181,400	10,181,400	
II. EXPENDITURE CATEGORY						
Personnel Costs	6,425,200	6,425,200		6,190,200	6,190,200	
Operating Expenses	1,591,800	1,591,800		1,602,600	1,602,600	
Grants, Loans, Benefits	1,917,800	1,917,800		2,388,600	2,388,600	
TOTAL EXPENDITURES	9,934,800	9,934,800		10,181,400	10,181,400	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	4,022,600	4,022,600		4,264,200	4,264,200	
Restricted Funds	5,727,200	5,727,200		5,727,200	5,727,200	
Federal Funds	185,000	185,000		190,000	190,000	
Regular Total Funds	9,934,800	9,934,800		10,181,400	10,181,400	
Continuing						
TOTAL BASE LEVEL	9,934,800	9,934,800		10,181,400	10,181,400	

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General Administration and Program Support

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Governor's Scholars Program: Included in the above General Fund appropriation is \$1,897,800 in fiscal year 2004-2005 and \$1,939,400 in fiscal year 2005-2006 for the Governor's Scholars Program, of which \$1,647,700 in fiscal year 2004-2005 and \$1,684,100 in fiscal year 2005-2006 is for grant amounts."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following change:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

E - Education Cabinet**Capital Budget****General Administration and Program Support**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Investment Income	395,000	395,000		460,000	460,000	
TOTAL CAPITAL	395,000	395,000		460,000	460,000	

II. CAPITAL PROJECTS**1 Maintenance Pool**

PRJEDUC1098

Investment Income	395,000	395,000		460,000	460,000	
Project Total	395,000	395,000		460,000	460,000	
TOTAL CAPITAL	395,000	395,000		460,000	460,000	

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E - Education Cabinet**Operating Budget****Deaf and Hard of Hearing**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	821,100	821,100		821,100	821,100	
Restricted Funds	292,200	292,200		252,000	252,000	
Regular Total Funds	1,113,300	1,113,300		1,073,100	1,073,100	
Continuing						
TOTAL FUNDS	1,113,300	1,113,300		1,073,100	1,073,100	
II. EXPENDITURE CATEGORY						
Personnel Costs	766,600	766,600		752,900	752,900	
Operating Expenses	346,700	346,700		320,200	320,200	
TOTAL EXPENDITURES	1,113,300	1,113,300		1,073,100	1,073,100	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	821,100	821,100		821,100	821,100	
Restricted Funds	292,200	292,200		252,000	252,000	
Regular Total Funds	1,113,300	1,113,300		1,073,100	1,073,100	
Continuing						
TOTAL BASE LEVEL	1,113,300	1,113,300		1,073,100	1,073,100	

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Deaf and Hard of Hearing

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Communications Equipment: Included in the above Restricted Funds appropriation for the Commission on the Deaf and Hard of Hearing is \$35,000 in fiscal year 2004-2005 for distribution of communications equipment to hard-of-hearing constituents."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly revises the State/Executive Branch Budget Bill, Part I, Operating Budget, as follows

"Communications Equipment: Included in the above Restricted Funds appropriation is \$35,000 in fiscal year 2004-2005 for distribution of communications equipment to hard-of-hearing constituents."

E - Education Cabinet**Operating Budget****Kentucky Educational Television**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	14,145,200	14,145,200		14,194,200	14,194,200	
Restricted Funds	1,500,000	1,500,000		1,075,700	1,075,700	
Federal Funds	700,000	700,000		700,000	700,000	
Regular Total Funds	16,345,200	16,345,200		15,969,900	15,969,900	
Continuing						
TOTAL FUNDS	16,345,200	16,345,200		15,969,900	15,969,900	
II. EXPENDITURE CATEGORY						
Personnel Costs	9,309,400	9,309,400		9,593,200	9,593,200	
Operating Expenses	5,352,400	5,352,400		4,987,000	4,987,000	
Grants, Loans, Benefits	440,700	440,700		440,700	440,700	
Debt Service				49,000	49,000	
Capital Outlay	1,242,700	1,242,700		900,000	900,000	
TOTAL EXPENDITURES	16,345,200	16,345,200		15,969,900	15,969,900	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	14,145,200	14,145,200		14,194,200	14,194,200	
Restricted Funds	1,500,000	1,500,000		1,075,700	1,075,700	
Federal Funds	700,000	700,000		700,000	700,000	
Regular Total Funds	16,345,200	16,345,200		15,969,900	15,969,900	
Continuing						
TOTAL BASE LEVEL	16,345,200	16,345,200		15,969,900	15,969,900	

**Fiscal Biennium 2004-2006
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Kentucky Educational Television

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Debt Service: Included in the above General Fund appropriation is \$49,000 in fiscal year 2005-2006 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following change:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

E - Education Cabinet**Capital Budget****Kentucky Educational Television**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Bond Funds	1,000,000	1,000,000				
Investment Income	100,000	100,000		100,000	100,000	
TOTAL CAPITAL	1,100,000	1,100,000		100,000	100,000	
II. CAPITAL PROJECTS						
1	Replace Roof at Network Center					
PRJ5450116						
Bond Funds	1,000,000	1,000,000				
Project Total	1,000,000	1,000,000				
2	Maintenance Pool					
PRJ5450118						
Investment Income	100,000	100,000		100,000	100,000	
Project Total	100,000	100,000		100,000	100,000	
TOTAL CAPITAL	1,100,000	1,100,000		100,000	100,000	

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E - Education Cabinet**Operating Budget****Environmental Education Council**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
Restricted Funds	342,600	342,600		187,200	187,200	
Regular Total Funds	342,600	342,600		187,200	187,200	
Continuing						
TOTAL FUNDS	342,600	342,600		187,200	187,200	
II. EXPENDITURE CATEGORY						
Personnel Costs	112,600	112,600		114,800	114,800	
Operating Expenses	44,200	44,200		37,600	37,600	
Grants, Loans, Benefits	185,800	185,800		34,800	34,800	
TOTAL EXPENDITURES	342,600	342,600		187,200	187,200	
III. BASE LEVEL BUDGET BY FUND SOURCE						
Restricted Funds	342,600	342,600		187,200	187,200	
Regular Total Funds	342,600	342,600		187,200	187,200	
Continuing						
TOTAL BASE LEVEL	342,600	342,600		187,200	187,200	

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Environmental Education Council

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Environmental Education Master Plan: Included in the above Restricted Funds appropriation for the Environmental Education Council is \$155,400 in fiscal year 2004-2005 for execution of its Environmental Education Master Plan pursuant to KRS 224.43-505(2)(b)."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly revises the State/Executive Branch Budget Bill, Part I, Operating Budget, as follows

"Environmental Education Master Plan: Included in the above Restricted Funds appropriation is \$155,400 in fiscal year 2004-2005 for execution of its Environmental Education Master Plan pursuant to KRS 224.43-505(2)(b)."

E - Education Cabinet

Operating Budget

Libraries and Archives Summary

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	13,219,500	13,300,000	80,500	13,219,500	13,300,000	80,500
Restricted Funds	1,836,600	1,836,600		1,905,200	1,905,200	
Federal Funds	2,774,100	2,774,100		2,379,300	2,379,300	
Regular Total Funds	17,830,200	17,910,700	80,500	17,504,000	17,584,500	80,500
Continuing						
TOTAL FUNDS	17,830,200	17,910,700	80,500	17,504,000	17,584,500	80,500
II. EXPENDITURE CATEGORY						
Personnel Costs	6,891,100	6,891,100		7,083,600	7,083,600	
Operating Expenses	3,618,100	3,618,100		3,646,000	3,646,000	
Grants, Loans, Benefits	7,281,000	7,361,500	80,500	6,734,400	6,814,900	80,500
Capital Outlay	40,000	40,000		40,000	40,000	
TOTAL EXPENDITURES	17,830,200	17,910,700	80,500	17,504,000	17,584,500	80,500
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	13,219,500	13,300,000	80,500	13,219,500	13,300,000	80,500
Restricted Funds	1,836,600	1,836,600		1,905,200	1,905,200	
Federal Funds	2,774,100	2,774,100		2,379,300	2,379,300	
Regular Total Funds	17,830,200	17,910,700	80,500	17,504,000	17,584,500	80,500
Continuing						
TOTAL BASE LEVEL	17,830,200	17,910,700	80,500	17,504,000	17,584,500	80,500

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E - Education Cabinet**Operating Budget****Libraries and Archives - General Operations**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	6,722,000	6,722,000		6,868,600	6,868,600	
Restricted Funds	1,827,600	1,827,600		1,896,200	1,896,200	
Federal Funds	2,350,100	2,350,100		1,955,300	1,955,300	
Regular Total Funds	10,899,700	10,899,700		10,720,100	10,720,100	
Continuing						
TOTAL FUNDS	10,899,700	10,899,700		10,720,100	10,720,100	
II. EXPENDITURE CATEGORY						
Personnel Costs	6,891,100	6,891,100		7,083,600	7,083,600	
Operating Expenses	3,491,600	3,491,600		3,519,500	3,519,500	
Grants, Loans, Benefits	477,000	477,000		77,000	77,000	
Capital Outlay	40,000	40,000		40,000	40,000	
TOTAL EXPENDITURES	10,899,700	10,899,700		10,720,100	10,720,100	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	6,722,000	6,722,000		6,868,600	6,868,600	
Restricted Funds	1,827,600	1,827,600		1,896,200	1,896,200	
Federal Funds	2,350,100	2,350,100		1,955,300	1,955,300	
Regular Total Funds	10,899,700	10,899,700		10,720,100	10,720,100	
Continuing						
TOTAL BASE LEVEL	10,899,700	10,899,700		10,720,100	10,720,100	

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General Operations

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Undistributed Moneys: Notwithstanding KRS 48.005, undistributed moneys received by a result of litigation with book suppliers shall be appropriated to the Department for Libraries and Archives for the benefit of libraries in the Commonwealth."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following change:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

E - Education Cabinet

Operating Budget

Libraries and Archives - Direct Local Aid

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	6,497,500	6,578,000	80,500	6,350,900	6,431,400	80,500
Restricted Funds	9,000	9,000		9,000	9,000	
Federal Funds	424,000	424,000		424,000	424,000	
Regular Total Funds	6,930,500	7,011,000	80,500	6,783,900	6,864,400	80,500
Continuing						
TOTAL FUNDS	6,930,500	7,011,000	80,500	6,783,900	6,864,400	80,500
II. EXPENDITURE CATEGORY						
Operating Expenses	126,500	126,500		126,500	126,500	
Grants, Loans, Benefits	6,804,000	6,884,500	80,500	6,657,400	6,737,900	80,500
TOTAL EXPENDITURES	6,930,500	7,011,000	80,500	6,783,900	6,864,400	80,500
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	6,497,500	6,578,000	80,500	6,350,900	6,431,400	80,500
Restricted Funds	9,000	9,000		9,000	9,000	
Federal Funds	424,000	424,000		424,000	424,000	
Regular Total Funds	6,930,500	7,011,000	80,500	6,783,900	6,864,400	80,500
Continuing						
TOTAL BASE LEVEL	6,930,500	7,011,000	80,500	6,783,900	6,864,400	80,500

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Direct Local Aid

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Per Capita Grants: Included in the above General Fund appropriation is \$3,919,500 in each fiscal year to award per capita grants in accordance with KRS 171.201."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly provides in Part I, Operating Budget, additional General Fund support totaling \$80,500 in each fiscal year for the per capita grants.

The General Assembly amends a Part I, Operating Budget, language provision, as follows:

"Per Capita Grants: Included in the above General Fund appropriation is \$4,000,000 in each fiscal year to award per capita grants. Notwithstanding KRS 171.201, the allotment of General Fund dollars distributed to each local library district shall not be less than received in fiscal year 2003-2004."

E - Education Cabinet**Operating Budget****School Facilities Construction Commission**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	91,246,900	91,246,900		102,844,300	111,142,400	8,298,100
Regular Total Funds	91,246,900	91,246,900		102,844,300	111,142,400	8,298,100
Continuing						
TOTAL FUNDS	91,246,900	91,246,900		102,844,300	111,142,400	8,298,100
II. EXPENDITURE CATEGORY						
Personnel Costs	219,700	219,700		224,800	224,800	
Operating Expenses	27,200	27,200		27,500	27,500	
Debt Service	91,000,000	91,000,000		102,592,000	110,890,100	8,298,100
TOTAL EXPENDITURES	91,246,900	91,246,900		102,844,300	111,142,400	8,298,100
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	91,246,900	91,246,900		102,844,300	102,844,300	
Regular Total Funds	91,246,900	91,246,900		102,844,300	102,844,300	
Continuing						
TOTAL BASE LEVEL	91,246,900	91,246,900		102,844,300	102,844,300	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund					8,298,100	8,298,100
TOTAL ADDITIONAL					8,298,100	8,298,100
V. ADDITIONAL BUDGET ITEMS						
1 EXPAN Debt Service - Bond Funds -Urgent Need School Trust Fund						
ABR3450005 Provide debt service for Bond Funds totaling \$91.5 million in fiscal year 2005-2006 to support capital construction projects as identified by the selection criteria of the Kentucky Department of Education.						
General Fund					7,723,400	7,723,400
Project Total					7,723,400	7,723,400
2 EXPAN Additional Construction Cost						
ABR3450006 Provide debt service for Bond Funds totaling \$6.8 million in fiscal year 2005-2006 to support additional capital construction costs of previously approved projects.						
General Fund					574,700	574,700
Project Total					574,700	574,700
TOTAL ADDITIONAL					8,298,100	8,298,100

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School Facilities Construction Commission

BILL AS INTRODUCED

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

State salary/compensation and employment policy including increments, retirement, and health insurance and personnel complement are addressed in Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Debt Service: Included in the above General Fund appropriation is \$4,031,800 in fiscal year 2004-2005 and \$15,623,700 in fiscal year 2005-2006 in additional General Funds to: (a) Fulfill the commitment made by the 2000 Regular Session of the General Assembly for \$100,000,000 in bonded indebtedness for local school construction and renovation; (b) Fulfill the commitment made by the 2003 Regular Session of the General Assembly for an additional \$100,000,000 in bonded indebtedness for school construction and renovation; (c) Fulfill the commitment made by the 2003 Regular Session of the General Assembly to the Fayette County public school system for \$4,600,000 in bonded indebtedness; and (d) Fulfill the commitment made by the 2003 Regular Session of the General Assembly for \$110,000,000 in bonded indebtedness to address the needs of Urgent Need and Category 5 (worst condition) schools."

"Growth Nickel Levy: The Facilities Support Program of Kentucky is fully funded in the 2004-2006 fiscal biennium. Notwithstanding KRS 157.621(3), local school districts may exercise authority expressed in KRS 157.621(1) and (2)."

"School Facility Revenue: A local board of education may commit an equivalent tax rate not to exceed five cents in addition to the taxes levied in KRS 157.440(1)(b). Receipts from the levy shall be committed to debt service, new facilities, or major renovations of existing school facilities. The tax rate levied by the local board of education under this provision shall be made no later than October 1 of each odd-numbered year, and shall not be equalized with state funding. The levy shall be subject to recall."

"Urgent Need School Trust Fund: The Urgent Need School Trust Fund is established in the Finance and Administration Cabinet for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Need School Trust Fund shall be administered by the School Facilities Construction Commission. The fund may receive state appropriations, contributions, and grants from any source which shall be credited to the trust fund and invested until needed. All interest earned on the fund shall be retained in

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School Facilities Construction Commission

the trust fund. Notwithstanding KRS 45.229, moneys in the trust fund shall not lapse, but shall carry forward at the end of each fiscal year."

"Category 5 Buildings: Debt service assistance to each eligible district, as provided for in Part I, Operating Budget, of this Act, shall be determined by funding based on unmet need pursuant to KRS 157.620, calculated utilizing Cash Balances and Bonding Potential available for the project with the Kentucky Department of Education's Building Assessment document of March 4, 2003. These offers shall be administered in accordance with 750 KAR 1:010 where not in conflict with the language in this section."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly amends Part I, Operating Budget, language provisions as follows:

"School Facility Revenue: A local board of education may commit an equivalent tax rate not to exceed five cents in addition to the taxes levied in KRS 157.440(1)(b). Receipts from the levy shall be committed to debt service, new facilities, or major renovations of existing school facilities. The tax rate levied by the local board of education under this provision shall be made no later than November 1 of each odd-numbered year, and shall not be equalized with state funding. The levy shall be subject to recall."

"Urgent Need School Trust Fund: Included in the above appropriation is \$7,723,400 in fiscal year 2005-2006 for debt service for \$91,536,000 in new bonding authority as provided in Part II, Capital Projects Budget, to support the Urgent Need School Trust Fund. The Urgent Need School Trust Fund is established in the Finance and Administration Cabinet for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Need School Trust Fund shall be administered by the School Facilities Construction Commission. The fund may receive state appropriations, contributions, and grants from any source which shall be credited to the trust fund and invested until needed. All interest earned on the fund shall be retained in the trust fund. Notwithstanding KRS 45.229, moneys in the trust fund shall not lapse, but shall carry forward at the end of each fiscal year.

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School Facilities Construction Commission

To be eligible to participate in the Urgent Need School Trust Fund Program in fiscal biennium 2004-2006, a local school district shall have a project that is: (a) Identified on the district's Facility Plan; (b) A "Category 5" school (poorest condition) in accordance with the Kentucky Department of Education's Building Assessment document of January 13, 2005; and (c) For a school with or including enrollment based on best practices outlined in 702 KAR 1:001, The Kentucky School Facilities Planning Manual.

The Kentucky Board of Education shall certify the eligibility of a school district to participate in the Urgent Need School Trust Fund Program to the School Facilities Construction Commission by June 15, 2005.

Debt service assistance to each district shall be determined by funding based on unmet need pursuant to KRS 157.620, calculated utilizing Cash Balances and Bonding Potential available for the project as of January 13, 2005. These offers shall be administered in accordance with 750 KAR 1:010 where not in conflict with the language in this section.

Any unused debt service from the projects in this section may be allocated to another project within this same section as determined by the Commissioner of Education."

"Category 5 Buildings: Debt service assistance to each eligible district, as provided for in Part I, Operating Budget, of this Act, shall be determined by funding based on unmet need pursuant to KRS 157.620, calculated utilizing Cash Balances and Bonding Potential available for the project with the Kentucky Department of Education's Building Assessment document of March 4, 2003. Pursuant to the Kentucky Department of Education's Building Assessment document of March 4, 2003, the project identified as "Sacramento Elem, Calhoun Renovation" shall be identified as Sacramento Renovation and shall be eligible to receive the project need. These offers shall be administered in accordance with 750 KAR 1:010 where not in conflict with the language in this section."

The General Assembly adds Part I, Operating Budget, language provisions as follows:

"Offers of Assistance: Notwithstanding KRS 157.622, a local school district may accumulate credit, subject to the availability of funds, for its unused state allocation for a period not to exceed eight years."

"Additional Offers of Assistance: Notwithstanding KRS 157.611 to 157.640, 157.650, 157.655, 157.660, or 157.665, the School Facilities Construction Commission is authorized to make an additional \$100,000,000 in offers of assistance during the 2004-2006 biennium in anticipation of debt service availability during the 2006-2008 biennium. No bonded indebtedness based on the above amount is to be incurred during the 2004-2006 biennium."

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School Facilities Construction Commission

"Additional Construction Cost: Included in the above appropriation is \$574,700 in fiscal year 2005-2006 for debt service for \$6,811,300 in new bonding as provided in Part II, Capital Projects Budget, of this Act to support projects identified in the Urgent Need School Trust Fund and the "Category 5" school buildings (poorest condition) listings incorporated in 2003 Ky. Acts ch. 156, Part I, D. Education, Arts, and Humanities Cabinet, 36. School Facilities Construction Commission. This debt service and bonding authority shall be made available on a pro rata basis to assist all projects identified in this section that do not have construction contracts committed as of March 1, 2005."

"Facility Support: Notwithstanding KRS 157.620, local school district number 061 shall be authorized to utilize proceeds from the Facilities Support Program of Kentucky to support a roofing project at school number 030 without forfeiture of the district's participation in the School Facilities Construction Commission."

"Legislative Intent: By establishing the School Facilities Construction Commission, the General Assembly expressed its commitment to helping local school districts meet the school construction needs and later the education technology needs of the state in a manner which will insure an equitable distribution of funds based on unmet facilities need and the total implementation of the Kentucky Education Technology System. It is the intent of the General Assembly that the School Facilities Construction Commission continue to be the primary means of assisting local school districts in maintaining a quality facility program. To strengthen that commitment, the General Assembly declares that the Urgent Need School Trust Fund Program shall cease to exist June 30, 2006. School districts that have committed funds from the Urgent Need School Trust Fund for debt service will continue to receive funding for the term of the bond issue. The General Assembly further declares that the Equalized Facility Funding Program shall cease to exist June 30, 2006. Those school districts who are eligible to receive funding from the Equalized Facility Funding on the effective date of this Act will continue to receive equalization funding for a period of ten years. In Part III, General Provisions, of this Act the General Assembly directs the Office of Education Accountability to conduct a review of the School Facilities Construction Commission and make appropriate recommendations for strengthening this program."

The General Assembly provides in Part II, Capital Projects, Bond Funds totaling \$91,536,000 to support the Urgent Need School Trust Fund.

The General Assembly provides in Part II, Capital Projects, Bond Funds totaling \$6,811,300 to support Additional Construction Cost.

The General Assembly provides revised funding as reflected in Part V, Additional Budget Items of this Budget Modification Report.

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School Facilities Construction Commission

ADDITIONAL ACTIONS OF THE GENERAL ASSEMBLY

House Bill 497, Section 11, amends a Part I, Operating Budget, language provision as follows:

"Legislative Intent: By establishing the School Facilities Construction Commission, the General Assembly expressed its commitment to helping local school districts meet the school construction needs and later the education technology needs of the state in a manner which will insure an equitable distribution of funds based on unmet facilities need and the total implementation of the Kentucky Education Technology System. It is the intent of the General Assembly that the School Facilities Construction Commission continue to be the primary means of assisting local school districts in maintaining a quality facility program. To strengthen that commitment, the General Assembly declares that the Urgent Need School Trust Fund Program shall cease to exist June 30, 2006. School districts that have committed funds from the Urgent Need School Trust Fund for debt service will continue to receive funding for the term of the bond issue. The General Assembly further declares that the Equalized Facility Funding Program shall cease to exist June 30, 2006. Those school districts who are eligible to receive funding from the Equalized Facility Funding on the effective date of this Act will continue to receive equalization funding for a period of twenty years. In Part III, General Provisions, of this Act the General Assembly directs the Office of Education Accountability to conduct a review of the School Facilities Construction Commission and make appropriate recommendations for strengthening this program."

E - Education Cabinet**Capital Budget****School Facilities Construction Commission**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Bond Funds	67,735,000	166,082,300	98,347,300			
TOTAL CAPITAL	67,735,000	166,082,300	98,347,300			
II. CAPITAL PROJECTS						
1 School Facilities Construction Commission Reauthorization (\$121,724,700 Bond Funds)						
PRJ3450180						
General Fund						
Project Total						
2 Urgent Need School Trust Fund Reauthorization (\$55,284,000 Bond Funds)						
PRJ3450179						
General Fund						
Project Total						
3 Category 5 School Buildings Reauthorization (\$54,730,900 Bond Funds)						
PRJ3450178						
General Fund						
Project Total						
4 Offers of Assistance - Bond Funds						
PRJ3450183						
Bond Funds	67,735,000	67,735,000				
Project Total	67,735,000	67,735,000				
5 Urgent Need School Trust Fund - Bond Funds						
PRJ3450186						
Bond Funds		91,536,000	91,536,000			
Project Total		91,536,000	91,536,000			
6 Additional Construction Cost - Bond Funds						
PRJ3450187						
Bond Funds		6,811,300	6,811,300			
Project Total		6,811,300	6,811,300			
TOTAL CAPITAL	67,735,000	166,082,300	98,347,300			

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E - Education Cabinet**Operating Budget****Teachers' Retirement System**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	109,018,800	109,018,800		126,500,000	130,799,600	4,299,600
Restricted Funds	8,147,900	8,147,900		8,613,500	8,613,500	
Regular Total Funds	117,166,700	117,166,700		135,113,500	139,413,100	4,299,600
Continuing						
TOTAL FUNDS	117,166,700	117,166,700		135,113,500	139,413,100	4,299,600
II. EXPENDITURE CATEGORY						
Personnel Costs	6,719,200	6,719,200		7,145,600	7,145,600	
Operating Expenses	1,346,000	1,346,000		1,385,200	1,385,200	
Grants, Loans, Benefits	109,018,800	109,018,800		126,500,000	130,799,600	4,299,600
Capital Outlay	82,700	82,700		82,700	82,700	
TOTAL EXPENDITURES	117,166,700	117,166,700		135,113,500	139,413,100	4,299,600
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	109,018,800	109,018,800		126,500,000	126,500,000	
Restricted Funds	8,147,900	8,147,900		8,613,500	8,613,500	
Regular Total Funds	117,166,700	117,166,700		135,113,500	135,113,500	
Continuing						
TOTAL BASE LEVEL	117,166,700	117,166,700		135,113,500	135,113,500	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund					4,299,600	4,299,600
TOTAL ADDITIONAL					4,299,600	4,299,600
V. ADDITIONAL BUDGET ITEMS						
1 NEW State Medical Insurance Fund Stabilization Contribution						
ABR5600006	Provide funds to support the State Medical Insurance Fund Stabilization Contribution from 2004 Regular Session HB 434.					
General Fund					4,249,600	4,249,600
Project Total					4,249,600	4,249,600
2 NEW Supplemental Health Insurance Funding						
ABR5600005	Provide funds to support a premium subsidy for under age 65 spouses with KTRS retiree marriage partners over age 65.					
General Fund					50,000	50,000
Project Total					50,000	50,000

E - Education Cabinet**Operating Budget****Teachers' Retirement System****TOTAL ADDITIONAL**

Fiscal Year 2004-2005			Fiscal Year 2005-2006		
Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
				4,299,600	4,299,600

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Teachers' Retirement System

BILL AS INTRODUCED

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

State salary/compensation and employment policy including increments, retirement, and health insurance and personnel complement are addressed in Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"State Retirement Obligations: Notwithstanding KRS 161.550, General Fund moneys are appropriated to comply with the obligations of the state under the Teachers' Retirement System statutes as provided in KRS 161.220 to 161.716."

"Administrative Costs: In accordance with KRS 161.420, in each fiscal year an amount not greater than four percent of the receipts of the state accumulation fund shall be set aside into the expense fund or expended for the administration of the retirement system. No General Fund moneys are provided in fiscal year 2004-2005 or fiscal year 2005-2006 for the cost of administration."

"Amortization of Sick Leave: Included in the above General Fund appropriation is \$3,669,700 in fiscal year 2004-2005 and \$8,009,200 in fiscal year 2005-2006 to provide the cost of amortizing the requirements of KRS 161.155 (sick leave) for members retiring during the 2004-2006 fiscal biennium."

"Fiscal Year 2001-2002 and 2002-2003 Underappropriations: Notwithstanding KRS 161.550, included in the above General Fund appropriation is \$9,282,500 in fiscal year 2005-2006 to be applied toward underappropriations during fiscal year 2001-2002 and fiscal year 2002-2003."

"Highly Skilled Educators' Retirement Benefits: Notwithstanding KRS Chapters 158 and 161, salary supplements received by persons selected as highly skilled educators on or after July 1, 2000, shall not be included in the total salary compensation for any retirement benefits to which the employee may be entitled."

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Teachers' Retirement System

"Ad-hoc Cost of Living Increase for Retirees: Included in the above General Fund appropriation is \$3,996,200 in fiscal year 2004-2005 and \$7,706,900 in fiscal year 2005-2006 to provide a cost-of-living increase which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 14 for this purpose and is not to be appropriated in duplication."

"Health Insurance Funding: Included in the above General Fund appropriation is \$2,228,000 in fiscal year 2004-2005 to provide a subsidy for retired members who choose couple, family, or parent-plus coverage, which is representative of the amount appropriated in 2004 (Extra. Sess.) Ky. Acts ch. 1, sec. 14 for this purpose and is not to be appropriated in duplication. Included in the above General Fund appropriation is \$5,669,500 in fiscal year 2005-2006 to provide an additional subsidy for retired members who choose couple, family, or parent-plus coverage."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly adds Part I, Operating Budget, language provisions as follows:

"Supplemental Health Insurance Funding: Included in the above General Fund appropriation is \$50,000 in fiscal year 2005-2006 for the retirement system to provide a subsidy for those retired state members over age 65 that insure their spouse under age 65 through the state health insurance plan for Plan year 2006. The amount of the subsidy for those over 65 shall not exceed the amount of the subsidy for members under age 65 that choose couple, family or parent plus coverage."

"State Medical Insurance Fund Stabilization Contribution: Included in the above General Fund appropriation is \$4,249,600 in fiscal year 2005-2006 to amortize the support of the State Medical Insurance Fund Stabilization Contribution."

The General Assembly provides revised funding as reflected in Part V, Additional Budget Items of this Budget Modification Report.

E - Education Cabinet**Capital Budget****Teachers' Retirement System**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Restricted Funds				2,000,000	2,000,000	
TOTAL CAPITAL				2,000,000	2,000,000	
II. CAPITAL PROJECTS						
1 KTRS Pension Management System						
PRJ5600001						
Restricted Funds				2,000,000	2,000,000	
Project Total				2,000,000	2,000,000	
TOTAL CAPITAL				2,000,000	2,000,000	

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E - Education Cabinet**Operating Budget****Office for the Blind**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	1,290,300	1,290,300		1,306,300	1,306,300	
Restricted Funds	1,847,200	1,847,200		1,833,900	1,833,900	
Federal Funds	8,210,400	8,210,400		8,638,400	8,638,400	
Regular Total Funds	11,347,900	11,347,900		11,778,600	11,778,600	
Continuing						
TOTAL FUNDS	11,347,900	11,347,900		11,778,600	11,778,600	
II. EXPENDITURE CATEGORY						
Personnel Costs	6,185,500	6,185,500		6,187,900	6,187,900	
Operating Expenses	1,621,300	1,621,300		1,619,200	1,619,200	
Grants, Loans, Benefits	3,510,500	3,510,500		3,940,900	3,940,900	
Capital Outlay	30,600	30,600		30,600	30,600	
TOTAL EXPENDITURES	11,347,900	11,347,900		11,778,600	11,778,600	
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	1,290,300	1,290,300		1,306,300	1,306,300	
Restricted Funds	1,847,200	1,847,200		1,833,900	1,833,900	
Federal Funds	8,210,400	8,210,400		8,638,400	8,638,400	
Regular Total Funds	11,347,900	11,347,900		11,778,600	11,778,600	
Continuing						
TOTAL BASE LEVEL	11,347,900	11,347,900		11,778,600	11,778,600	

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Office for the Blind

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following change:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

E - Education Cabinet**Operating Budget****Employment and Training**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
Restricted Funds	4,870,000	4,870,000		3,393,900	3,393,900	
Federal Funds	797,537,600	797,537,600		798,437,200	798,437,200	
Regular Total Funds	802,407,600	802,407,600		801,831,100	801,831,100	
Continuing						
TOTAL FUNDS	802,407,600	802,407,600		801,831,100	801,831,100	
II. EXPENDITURE CATEGORY						
Personnel Costs	46,437,700	46,437,700		45,446,100	45,446,100	
Operating Expenses	11,338,200	11,338,200		11,403,800	11,403,800	
Grants, Loans, Benefits	744,600,300	744,600,300		744,949,800	744,949,800	
Capital Outlay	31,400	31,400		31,400	31,400	
TOTAL EXPENDITURES	802,407,600	802,407,600		801,831,100	801,831,100	
III. BASE LEVEL BUDGET BY FUND SOURCE						
Restricted Funds	4,870,000	4,870,000		3,393,900	3,393,900	
Federal Funds	797,537,600	797,537,600		798,437,200	798,437,200	
Regular Total Funds	802,407,600	802,407,600		801,831,100	801,831,100	
Continuing						
TOTAL BASE LEVEL	802,407,600	802,407,600		801,831,100	801,831,100	

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Employment and Training

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

Executive Order 2004-725 combines appropriation units "Employment Services" and "Training and Reemployment" in one appropriation unit "Employment and Training".

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer, includes a transfer from the Unemployment Insurance Penalty and Interest Account totaling \$186,100 in fiscal year 2004-2005.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Unemployment Insurance Penalty and Interest Account: Notwithstanding KRS 341.835, funds in the amount of \$2,700,000 from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund shall be used during each fiscal year by the Department for Employment Services to operate employment, training, and unemployment insurance programs."

"Facility Replacement and Renovation Program: The General Assembly authorizes the Department for Employment Services to develop and implement a Facility Replacement and Renovation Program to improve the quality of facilities used by the Department and its clients, and to reduce the departmental reliance on lease-rental properties. Proceeds from the sale, transfer, or other disposition of existing facilities may be expended toward the purchase, construction, renovation, equipping, and furnishing of replacement

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Employment and Training

facilities. Expenditures authorized by this provision are limited to the use of funds derived from the sale of Cabinet-owned facilities, which equity rights are shared between both the state and national government."

The State/Executive Branch Budget Bill, Part II, Capital Projects Budget, includes a language provision as follows:

"Facility Replacement and Renovation Program: The General Assembly authorizes the Office of Employment and Training to develop and implement a facility replacement and renovation program to improve the quality of Department of Workforce Investment facilities used by the Office of Employment and Training and its clients, and to reduce departmental reliance on lease/rental properties. The Office of Employment and Training is directed to coordinate this program with the Secretary of the Finance and Administration Cabinet. Proceeds acquired from the sale, transfer, or other disposition of existing facilities may be expended toward the purchase, construction, renovation, and equipping and furnishing of replacement facilities. Expenditures authorized by this provision are limited to the use of funds solely derived from the sale of Department-owned facilities, which equity rights are shared between both the state and the federal government."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly revises the State/Executive Branch Budget Bill, Part I, Operating Budget, as follows

"Unemployment Insurance Penalty and Interest Account: Notwithstanding KRS 341.835, funds in the amount of \$2,700,000 from the Unemployment Insurance Penalty and Interest Account in the Unemployment Compensation Administration Fund shall be used during each fiscal year by the Office of Employment and Training to operate employment, training, and unemployment insurance programs."

"Facility Replacement and Renovation Program: The General Assembly authorizes the Office of Employment and Training to develop and implement a Facility Replacement and Renovation Program to improve the quality of facilities used by the Office and its clients, and to reduce the Office's reliance on lease-rental properties. Proceeds from the sale, transfer, or other disposition of existing

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facilities may be expended toward the purchase, construction, renovation, equipping, and furnishing of replacement facilities. Expenditures authorized by this provision are limited to the use of funds derived from the sale of Cabinet-owned facilities, which equity rights are shared between both the state and national government."

E - Education Cabinet**Operating Budget****Career and Technical Education**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	25,373,700	25,373,700		26,098,700	31,470,700	5,372,000
Restricted Funds	20,232,800	20,232,800		19,970,500	19,970,500	
Federal Funds	15,179,700	15,179,700		15,179,700	15,179,700	
Regular Total Funds	60,786,200	60,786,200		61,248,900	66,620,900	5,372,000
Continuing						
TOTAL FUNDS	60,786,200	60,786,200		61,248,900	66,620,900	5,372,000
II. EXPENDITURE CATEGORY						
Personnel Costs	34,262,300	34,262,300		35,106,300	35,106,300	
Operating Expenses	9,832,300	9,832,300		9,595,500	9,595,500	
Grants, Loans, Benefits	16,108,600	16,108,600		16,007,900	21,307,900	5,300,000
Debt Service					72,000	72,000
Capital Outlay	583,000	583,000		539,200	539,200	
TOTAL EXPENDITURES	60,786,200	60,786,200		61,248,900	66,620,900	5,372,000
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	25,373,700	25,373,700		26,098,700	26,098,700	
Restricted Funds	20,232,800	20,232,800		19,970,500	19,970,500	
Federal Funds	15,179,700	15,179,700		15,179,700	15,179,700	
Regular Total Funds	60,786,200	60,786,200		61,248,900	61,248,900	
Continuing						
TOTAL BASE LEVEL	60,786,200	60,786,200		61,248,900	61,248,900	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund					5,372,000	5,372,000
TOTAL ADDITIONAL					5,372,000	5,372,000
V. ADDITIONAL BUDGET ITEMS						
1 NEW Career and Technical Education Accessibility Fund						
ABR5460001 Creation of the Career and Technical Education Accessibility Fund						
General Fund					3,800,000	3,800,000
Project Total					3,800,000	3,800,000

E - Education Cabinet**Operating Budget****Career and Technical Education**

		Fiscal Year 2004-2005			Fiscal Year 2005-2006		
		Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
2	NEW Butler County Area Vocational Center						
ABR5460002	Butler County Area Vocational Center- Facility Upgrade. The General Assembly sustains Governor Ernie Fletchers veto of this project. Funds appropriated for this project shall lapse to the General Fund at the close of the fiscal year.						
	General Fund					1,500,000	1,500,000
	Project Total					1,500,000	1,500,000
3	NEW Debt Service- Butler County Area Vocational Center						
ABR5460003	Provides debt service to support the \$1,500,000 Bond Fund facility upgrade project.						
	General Fund					72,000	72,000
	Project Total					72,000	72,000
TOTAL ADDITIONAL						5,372,000	5,372,000

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Career and Technical Education

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Participation in the Education Technology Program by Area Vocational Education Centers: Area Vocational Education Centers shall be fully eligible to participate in the Kentucky Education Technology System. Notwithstanding KRS 157.650, 157.655, 157.660, and 157.665, the School Facilities Construction Commission, in consultation with the Kentucky Board of Education and the Department of Education, shall develop administrative regulations which identify a methodology by which the average daily attendance for Area Vocational Education Centers may be equated to the average daily attendance of other local school districts in order that they may receive their respective distributions of these funds. The School Facilities Construction Commission shall include Area Vocational Education Centers in any offers of assistance to local school districts for technology assistance during the 2004-2006 fiscal biennium."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly provides in Part I, Operating Budget, General Fund support totaling \$3,800,000 in fiscal year 2005-2006 for the creation of the Career and Technical Education Accessibility Fund.

The General Assembly amends Part I, Operating Budget, to add a language provision as follows:

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"Career and Technical Education Accessibility Fund: Included in the above General Fund appropriation is \$3,800,000 in fiscal year 2005-2006 for the creation of the Career and Technical Education Accessibility Fund. The Fund will provide start-up grants for personnel and operating costs to eligible providers for the creation of new, secondary career and technical education programs within the 176 local school districts of the Commonwealth. Funds shall not be used for capital construction. Criteria for determining eligibility and disbursement of the grant awards shall be determined by the Commissioner of the Department for Workforce Investment after consultation with the Commissioner of the Department of Education or the Commissioner's designee."

The General Assembly provides in Part I, Operating Budget, General Fund support totaling \$1,500,000 in fiscal year 2005-2006 for the facility upgrade at the Butler County Area Vocational Center.

The General Assembly amends Part I, Operating Budget, to include the following language provision:

"Butler County Area Vocational Center: Included in the above General Fund appropriation is \$1,500,000 in fiscal year 2005-2006 to support the facility upgrade of the Butler County Area Vocational Center."

The General Assembly sustains the following Veto Message from the Governor of the Commonwealth:

Partial Veto #6 of HB 267: "I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky State Constitution, do hereby veto the following part on page 75, lines 8 through 10 in their entirety: '(3) Butler County Area Vocational Center: Included in the above General Fund appropriation is \$1,500,000 in fiscal year 2005-2006 to support the facility upgrade of the Butler County Area Vocational Center.' This part is duplicative of a capital project appropriated in House Bill 350 for the Butler County Area Vocational Center. House Bill 350 directs an appropriation of \$72,000 in General Fund in fiscal year 2005-2006 for debt service on new bonds totaling \$1,500,000 to support the facility upgrade of the Butler County Area Vocational Center. I am vetoing this part because it is duplicative and unnecessary."

ADDITIONAL ACTIONS OF THE GENERAL ASSEMBLY

House Bill 350, Section 8, provides the following: "There is hereby appropriated from the General Fund to the Education Cabinet \$72,000 in fiscal year 2005-2006 for debt service for \$1,500,000 in new bonding authority to support the facility upgrade of the Butler County Area Vocational Center."

E - Education Cabinet**Capital Budget****Career and Technical Education**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
Bond Funds		1,500,000	1,500,000			
TOTAL CAPITAL		1,500,000	1,500,000			
II. CAPITAL PROJECTS						
1						
Butler County Area Vocational Center- Facility Upgrade						
PRJ5460001						
Bond Funds		1,500,000	1,500,000			
Project Total		1,500,000	1,500,000			
TOTAL CAPITAL		1,500,000	1,500,000			

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E - Education Cabinet**Operating Budget****Vocational Rehabilitation**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	12,294,300	12,294,300		12,422,300	12,672,300	250,000
Restricted Funds	2,952,900	2,952,900		2,893,200	2,893,200	
Federal Funds	45,513,000	45,513,000		47,194,000	47,194,000	
Regular Total Funds	60,760,200	60,760,200		62,509,500	62,759,500	250,000
Continuing						
TOTAL FUNDS	60,760,200	60,760,200		62,509,500	62,759,500	250,000
II. EXPENDITURE CATEGORY						
Personnel Costs	25,522,400	25,522,400		25,582,800	25,582,800	
Operating Expenses	4,953,900	4,953,900		4,955,400	4,955,400	
Grants, Loans, Benefits	30,249,900	30,249,900		31,873,300	32,123,300	250,000
Debt Service				64,000	64,000	
Capital Outlay	34,000	34,000		34,000	34,000	
TOTAL EXPENDITURES	60,760,200	60,760,200		62,509,500	62,759,500	250,000
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	12,294,300	12,294,300		12,422,300	12,422,300	
Restricted Funds	2,952,900	2,952,900		2,893,200	2,893,200	
Federal Funds	45,513,000	45,513,000		47,194,000	47,194,000	
Regular Total Funds	60,760,200	60,760,200		62,509,500	62,509,500	
Continuing						
TOTAL BASE LEVEL	60,760,200	60,760,200		62,509,500	62,509,500	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE						
General Fund					250,000	250,000
TOTAL ADDITIONAL					250,000	250,000
V. ADDITIONAL BUDGET ITEMS						
1 EXPAN Interpreter Services and Deaf Students Support						
ABR5510009 Interpreter services and deaf students support at postsecondary institutions.						
General Fund					250,000	250,000
Project Total					250,000	250,000
TOTAL ADDITIONAL					250,000	250,000

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Vocational Rehabilitation

BILL AS INTRODUCED

State salary/compensation and employment policy including increments, retirement, health insurance, and personnel complement are addressed in the State/Executive Branch Budget Bill, Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer, includes a transfer from Agency Revenue Fund totaling \$73,900 in fiscal year 2004-2005.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Debt Service: Included in the above General Fund appropriation is \$64,000 in fiscal year 2005-2006 for debt service for new bonds as set forth in Part II, Capital Projects Budget, of this Act."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly provides in Part I, Operating Budget, General Fund support totaling \$250,000 in fiscal year 2005-2006 for interpreter services and support to deaf students at postsecondary institutions.

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to add language provisions as follows:

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Vocational Rehabilitation

"Interpreter Services and Deaf Students Support: Included in the above General Fund appropriation is \$250,000 in fiscal year 2005-2006 for interpreter services and deaf students support at postsecondary institutions."

"Personnel Cap: A personnel cap of 488 positions is authorized."

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E - Education Cabinet**Capital Budget****Vocational Rehabilitation**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE						
General Fund						
Bond Funds	1,320,000	1,320,000				
TOTAL CAPITAL	1,320,000	1,320,000				
II. CAPITAL PROJECTS						
1	Carl D. Perkins Rehabilitation Center Roof Replacement - Johnson County					
PRJEDUC1094						
Bond Funds	1,320,000	1,320,000				
Project Total	1,320,000	1,320,000				
2	Franklin County Lease					
PRJ5510001						
General Fund						
Project Total						
3	Fayette County Lease					
PRJ5510002						
General Fund						
Project Total						
TOTAL CAPITAL	1,320,000	1,320,000				

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E - Education Cabinet**Operating Budget****Education Professional Standards Board**

	Fiscal Year 2004-2005			Fiscal Year 2005-2006		
	Bill as Introduced	General Assembly	Difference	Bill as Introduced	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE						
General Fund	9,870,800	9,870,800		10,312,000	10,312,000	
Restricted Funds	829,600	829,600		829,600	1,129,600	300,000
Federal Funds	4,379,200	4,379,200		4,379,200	4,379,200	
Regular Total Funds	15,079,600	15,079,600		15,520,800	15,820,800	300,000
Continuing	842,400	842,400				
TOTAL FUNDS	15,922,000	15,922,000		15,520,800	15,820,800	300,000
II. EXPENDITURE CATEGORY						
Personnel Costs	2,908,300	2,908,300		3,002,100	3,002,100	
Operating Expenses	3,710,300	3,710,300		3,543,600	3,543,600	
Grants, Loans, Benefits	9,303,400	9,303,400		8,975,100	9,275,100	300,000
TOTAL EXPENDITURES	15,922,000	15,922,000		15,520,800	15,820,800	300,000
III. BASE LEVEL BUDGET BY FUND SOURCE						
General Fund	9,870,800	9,870,800		10,312,000	10,312,000	
Restricted Funds	829,600	829,600		829,600	1,129,600	300,000
Federal Funds	4,379,200	4,379,200		4,379,200	4,379,200	
Regular Total Funds	15,079,600	15,079,600		15,520,800	15,820,800	300,000
Continuing	842,400	842,400				
TOTAL BASE LEVEL	15,922,000	15,922,000		15,520,800	15,820,800	300,000

**Fiscal Biennium 2004-2006
Budget Modification Report**

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Education Professional Standards Board

BILL AS INTRODUCED

The State/Executive Branch Budget Bill, Part III, General Provisions, includes language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

State salary/compensation and employment policy including increments, retirement, and health insurance and personnel complement are addressed in Part IV, State Salary Compensation and Employment Policy.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a language provision that directs:

"Notwithstanding the statutes or requirements of the Restricted Funds enumerated below, there is transferred to the General Fund the following amounts in fiscal year 2004-2005, and fiscal year 2005-2006."

Part V, Funds Transfer includes a transfer from the Education Professional Standards Board, Agency Revenue Fund of \$450,000 in fiscal year 2004-2005.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"National Board of Teaching Standards Certification: Notwithstanding KRS 161.134, up to \$725,000 in fiscal year 2004-2005 and \$800,000 in fiscal year 2005-2006 is provided for National Board of Teaching Standards Certification from the General Fund."

"Employment of Leadership Personnel: Notwithstanding KRS 18A.005 to 18A.200, the Education Professional Standards Board shall have the sole authority to determine the employees of the Education Professional Standards Board staff who are exempt from the classified service and to set their compensation comparable to the competitive market."

GENERAL ASSEMBLY

The General Assembly concurs with the Bill as Introduced with the following changes:

The General Assembly does not include in Part III, General Provisions, language to appropriate funds for expenditures in fiscal year 2004-2005 that have been approved or paid in accordance with Executive Order 2004-650, Executive Order 2004-1092, and Executive Order 2004-1373.

The General Assembly provides revised funding as reflected in Part III, Base Level Budget by Fund Source of this Budget Modification Report.